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**MISSOURI HOUSING  
DEVELOPMENT COMMISSION**  
**INDEPENDENT AUDITORS' REPORT**  
**AND FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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*Strength, Dignity, Quality of Life*

**MISSOURI HOUSING**  
DEVELOPMENT COMMISSION

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## Independent Auditors' Report

The Commissioners  
Missouri Housing Development Commission  
Kansas City, Missouri

### Report on the Financial Statements

We have audited the accompanying financial statements of the Missouri Housing Development Commission (the Commission), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Missouri Housing Development Commission as of June 30, 2015, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

### ***Change in Accounting Principle***

As discussed in Note 1 to the financial statements, in 2015 the Commission adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to these matters.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of commission's proportionate share of the net pension liability and schedule of commission's contributions on pages 5 through 13 and 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance

#### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the Commission's financial statements. The accompanying supplementary information which includes the combining statement of net position; combining statement of net position multifamily bond-financed programs; combining statement of net position single family bond-financed programs; combining statement of revenues, expenses and changes in net position; combining statement of revenues, expenses and changes in net position multifamily bond-financed programs; and combining statement of revenues, expenses and changes in net position single family bond-financed programs, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Commissioners  
Missouri Housing Development Commission

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The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*RubinBrown LLP*

September 22, 2015

# **MISSOURI HOUSING DEVELOPMENT COMMISSION**

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS For The Year Ended June 30, 2015**

Our discussion and analysis of Missouri Housing Development Commission's financial performance provides an overview of the Commission's financial activities for the fiscal year ended June 30, 2015. Please read it in conjunction with the Commission's financial statements and accompanying notes.

### **Introduction - Missouri Housing Development Commission**

The Missouri Housing Development Commission (the Commission) was established by the 75th Missouri General Assembly in 1969 and is the housing finance agency for the state of Missouri (State). The Commission is entirely self-supporting and does not draw upon the general taxing authority of the State. The Commission secures resources through the sale of tax-exempt and taxable bonds, and notes and through the sale of mortgage assets, for the purposes of financing owner-occupied residential mortgage loans for lower- and moderate-income persons and providing construction and long-term financing for rental developments to be occupied by lower and moderate-income persons. The Commission's net position is also a source of funding for such loans and other housing-related programs.

The Commission conducts other programs related to its housing finance activities, including administering the Missouri Housing Trust Fund, the Missouri Affordable Housing Assistance Program and the federal and state housing tax credits for the State. The Commission also administers federal assistance programs, including the HOME Investment Partnership Program and contracts for the Project Based Section 8 program which provide rental subsidies.

### **Overview of the Financial Statements**

This annual financial report consists of three parts: management's discussion and analysis; the financial statements, including notes to the financial statements; and required and other supplementary information. The Commission is a self-supporting entity and follows enterprise fund reporting, using the accrual basis of accounting. Enterprise fund statements offer short- and long-term financial information about the activities and operations of the Commission.

## **MISSOURI HOUSING DEVELOPMENT COMMISSION**

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### Management's Discussion and Analysis (*Continued*)

#### **2015 Financial Highlights**

- Total assets were \$1.8 billion, a decrease of less than 1% from June 30, 2014.
- Fiscal year 2015 mortgage investment purchases and originations totaled \$162.1 million as compared to \$170.5 million in fiscal year 2014. Proceeds from the sale of mortgage assets and principal repayments on mortgage assets totaled \$141.8 million in fiscal year 2015 as compared to \$336.1 million in fiscal year 2014.
- Single family and multifamily housing bonds issued totaled \$162.7 million in fiscal year 2015 and totaled \$88.3 million in fiscal year 2014.
- Total revenues were \$217.2 million in fiscal year 2015, a decrease of 6.0% from fiscal year 2014. Excluding the net change in fair value of investments, total revenues were \$217.7 million in fiscal year 2015, representing a decrease of 4.0%. Revenues from federal programs were \$151.9 million in fiscal year 2015 as compared to \$152.4 million in fiscal year 2014.
- Net operating income, excluding the net change in fair value of investments, was \$20.3 million in fiscal year 2015 as compared to \$28.0 million in fiscal year 2014. Excluding federal programs and the net change in fair value of investments, net operating income was \$15.2 million in fiscal year 2015 as compared to \$20.3 million in fiscal year 2014.
- Net position increased \$19.9 million (2.8%) as of June 30, 2015. Excluding the change in fair value of investments, net position increased \$15.2 million (2.3%) as of June 30, 2015.
- Standard and Poor's Rating Services continued the Commission's AA+ Issuer Credit Rating, with a rating outlook for the intermediate to longer term of stable.

## **MISSOURI HOUSING DEVELOPMENT COMMISSION**

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### Management's Discussion and Analysis (*Continued*)

#### **Financial Position**

The following table summarizes the Commission's current, restricted and noncurrent assets, deferred outflows of resources, liabilities and deferred inflows of resources. The table also displays restricted and unrestricted net position as of June 30, 2015 and 2014.

#### **Condensed Financial Information**

#### **Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position (In Thousands)**

|   | <b>June 30,<br/>2015</b> | <b>2014</b>         | <b>\$ Change<br/>2015 - 2014</b> |
|---|--------------------------|---------------------|----------------------------------|
| <b>Assets</b>   |                          |                     |                                  |
| Current assets  | \$ 30,004                | \$ 26,334           | \$ 3,670                         |
| Restricted investments                                  | 175,040                  | 176,667             | (1,627)                          |
| Restricted mortgage investments                         | 1,172,492                | 1,185,901           | (13,409)                         |
| Other restricted assets                                 | 116,209                  | 143,180             | (26,971)                         |
| Capital assets  | 674                      | 704                 | (30)                             |
| Other   | 260,377                  | 225,948             | 34,429                           |
| <b>Total Assets</b>                                     | <b>\$ 1,754,796</b>      | <b>\$ 1,758,734</b> | <b>\$ (3,938)</b>                |
| <b>Deferred Outflows of<br/>Resources</b>               |                          |                     |                                  |
|   | \$ 1,032                 | \$ 1,159            | \$ (127)                         |
| <b>Liabilities</b>                                      |                          |                     |                                  |
| Current liabilities                                     | \$ 22,858                | \$ 2,192            | \$ 20,666                        |
| Current liabilities - payable from<br>restricted assets | 139,574                  | 141,328             | (1,754)                          |
| Long-term bonds and notes payable                       | 843,691                  | 896,449             | (52,758)                         |
| Other   | 15,820                   | 8,569               | 7,251                            |
| <b>Total Liabilities</b>                                | <b>\$ 1,021,943</b>      | <b>\$ 1,048,538</b> | <b>\$ (26,595)</b>               |
| <b>Deferred Inflows of<br/>Resources</b>                |                          |                     |                                  |
|   | \$ 3,713                 | \$ 1,061            | \$ 2,652                         |
| <b>Net Position</b>                                     |                          |                     |                                  |
| Net investment in capital assets                        | \$ 674                   | \$ 704              | \$ (30)                          |
| Restricted  | 484,761                  | 476,637             | 8,124                            |
| Unrestricted  | 244,737                  | 232,953             | 11,784                           |
| <b>Total Net Position</b>                               | <b>\$ 730,172</b>        | <b>\$ 710,294</b>   | <b>\$ 19,878</b>                 |

## **MISSOURI HOUSING DEVELOPMENT COMMISSION**

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### Management's Discussion and Analysis (*Continued*)

The Commission implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These statements established standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expense. As a result of the implementation, net position as of June 30, 2014 was restated to include the following (in thousands).

|   |                          |
|---|--------------------------|
| Deferred outflows (deferred pension expense)        | \$ 993                   |
| Net pension liability*                              | <u>9,561</u>             |
| Unrestricted net position (prior period adjustment) | <u><u>\$ (8,568)</u></u> |

\*included in long-term bonds payable

## **Investments**

Investments consist of certificates of deposit, U.S. government and agency fixed rate securities and guaranteed investment agreement contracts. The Commission's investment policy emphasizes preservation of principal. At June 30, 2015, the Commission had \$368.5 million in investments as compared to \$364.4 million at June 30, 2014.

### **Mortgage Investments**

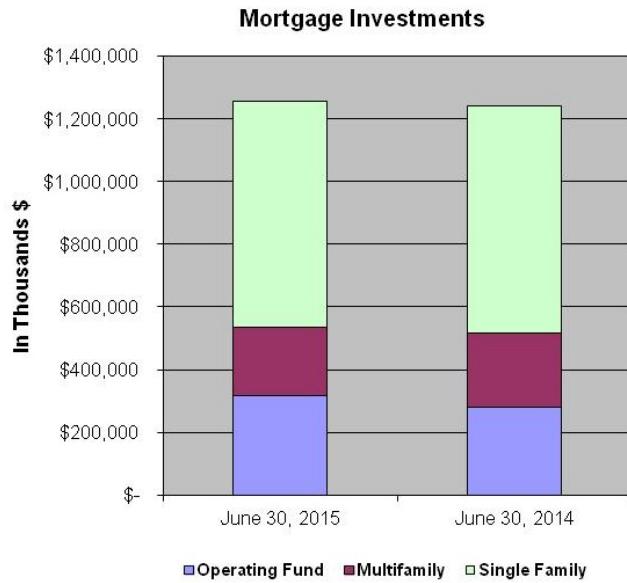
The Commission's mortgage investments increased 1.3% during fiscal year 2015. Mortgage investments comprise 71.6% of the Commission's total assets at June 30, 2015, as compared to 70.5% at June 30, 2014. Government National Mortgage Association (GNMA), Fannie Mae and Federal Home Loan Mortgage Corporation (FHLMC) mortgage-backed securities (MBS) comprise 59.1% of the Commission's mortgage investments at June 30, 2015, compared to 58.2% at June 30, 2014. In fiscal year 2015 new loans totaled \$162.1 million, with prepayment activity and change in fair value resulting in a net increase of \$15.9 million in the mortgage investment portfolio as reported. In fiscal year 2014 new loans totaled \$170.5 million, with mortgage asset sales, prepayment activity and change in fair value resulting in a net decrease of \$165.5 million in the mortgage portfolio as reported. The Commission's loan portfolio is low-risk, with over 99% of the homeownership loan portfolio being GNMA, Fannie Mae and FHLMC MBS and a significant portion of its bond-financed multifamily loan portfolio backed by Federal Housing Administration (FHA) insurance, including Risk-Share loans. The Commission's loan loss reserve is 3.4% of total mortgage investments at June 30, 2015 (3.5% at June 30, 2014), which is allocated to uninsured loans, Risk-Share loans and related accrued interest on such loans.

## **MISSOURI HOUSING DEVELOPMENT COMMISSION**

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### Management's Discussion and Analysis (*Continued*)

The mix of mortgage investments among operating fund loans, multifamily bond-financed programs and single family bond-financed programs at June 30, 2015 and 2014 is depicted in the following chart:



The Commission's operating fund mortgage investments as reported are comprised of mortgage-backed securities and loans financed with fund balances (net position) and Federal Home Loan Bank (FHLB) advances totaling \$111.5 million at June 30, 2015, as compared to \$83.1 million at June 30, 2014. The operating fund loans also include loans financed by the federal HOME Investment Partnership Program totaling \$179.8 million at June 30, 2015, as compared to \$171.9 million at June 30, 2014. In addition, the operating fund loans at June 30, 2015, include \$25.6 million in loans financed by the federal Tax Credit Assistance Program (TCAP), as compared to \$25.9 million at June 30, 2014. The Commission's multifamily loan portfolio includes FHA-insured Risk-Share mortgage loans, in which the Commission participates in 50% of the insured risk. These loans totaled \$148.4 million at June 30, 2015 and \$160.4 million at June 30, 2014. The Commission's multifamily loan portfolio also includes conduit loans, which totaled \$73.4 million at June 30, 2015 and \$74.7 million at June 30, 2014. The conduit loans are financed by the borrowers with limited obligation revenue bonds.

### **Debt**

At June 30, 2015, the Commission had \$889.2 million in bonds and notes outstanding as compared to \$915.4 million outstanding at June 30, 2014.

## **MISSOURI HOUSING DEVELOPMENT COMMISSION**

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### Management's Discussion and Analysis (*Continued*)

During fiscal year 2015, new debt resulted from issuance of one series of multifamily housing refunding revenue bonds, which totaled \$12.1 million, and three single family mortgage revenue bond series totaling \$150.6 million, including one refunding bond series totaling \$40.6 million. The overall net decrease in debt during fiscal year 2015 resulted from principal payments and redemptions that exceeded current year issuances. During fiscal year 2014, new debt resulted from issuance of three series of multifamily housing revenue bonds, which totaled \$38.3 million, including one refunding issue totaling \$23.7 million, and one single family mortgage revenue bond series totaling \$50.0 million. The overall net decrease in debt during fiscal year 2014 resulted from principal payments and redemptions that exceeded current year issuances. For additional information, see *Note 5, Bonds Payable and Long-Term Liabilities*, in the Notes to Financial Statements.

### **Net Position**

The Commission continues to demonstrate a strong financial position. Excluding the effects of fair value reporting and conduit bond assets, net worth ratio (net position as compared to total assets) was 41.5% at June 30, 2015, as compared to 40.4% at June 30, 2014. Excluding unrealized gains and losses, net position was \$676.0 million at June 30, 2015 and \$660.8 million at June 30, 2014, representing growth of 2.3% in fiscal year 2015 and growth of 2.9% in fiscal year 2014. A significant portion of the Commission's net position is restricted by bond indentures, grant agreements and other legal requirements. Net position provides liquidity and capital adequacy to support the Commission's general obligations and commitments, such as the Commission's general obligation bonds and participation in the U.S. Department of Housing and Urban Development (HUD) Risk-Share Program, that are secured by the Commission's full faith and credit.

## **MISSOURI HOUSING DEVELOPMENT COMMISSION**

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### Management's Discussion and Analysis (*Continued*)

#### **Operating Activities**

The following table summarizes the Commission's revenues, expenses and changes in net position for fiscal years 2015 and 2014.

**Condensed Financial Information**  
**Revenues, Expenses and Changes in Net Position (In Thousands)**

|  | <b>June 30,</b>  | <b>\$ Change</b> |                    |
|--|------------------|------------------|--------------------|
|  | <b>2015</b>      | <b>2014</b>      | <b>2015 - 2014</b> |
| <b>Operating Revenues</b>                |                  |                  |                    |
| Interest and investment income           | \$ 51,420        | \$ 61,754        | \$ (10,334)        |
| Grants and federal assistance            | 151,932          | 152,439          | (507)              |
| Other                                    | 13,887           | 16,799           | (2,912)            |
| <b>Total Operating Revenues</b>          | <b>217,239</b>   | <b>230,992</b>   | <b>(13,753)</b>    |
| <b>Operating Expenses</b>                |                  |                  |                    |
| Interest expense                         | 29,085           | 35,607           | (6,522)            |
| Compensation and administrative expenses | 12,969           | 12,506           | 463                |
| Grants and federal assistance            | 146,817          | 144,721          | 2,096              |
| Other                                    | 8,490            | 5,808            | 2,682              |
| <b>Total Operating Expenses</b>          | <b>197,361</b>   | <b>198,642</b>   | <b>(1,281)</b>     |
| <b>Change in Net Position</b>            | <b>\$ 19,878</b> | <b>\$ 32,350</b> | <b>\$ (12,472)</b> |

While the Commission continues to demonstrate strong financial activity, the economy and market conditions have affected financial results. During fiscal year 2015, overall revenues decreased due, primarily, to a decrease in fair value adjustments and a decrease in interest and investment income due to a decrease in mortgage investment earnings as a result of a lower average level of mortgage investments held throughout the year. During fiscal year 2014, overall revenues increased due, primarily, to a increase in fair value adjustments and an increase in federal assistance revenue. Excluding the effects of fair value reporting, the change in net position was an increase of \$15.2 million in fiscal year 2015 and \$18.9 million in fiscal year 2014, demonstrating continued financial strength. The return on average equity and the return on average assets, excluding the effects of fair value reporting and conduit bond-financed assets, were 2.3% and 0.9%, respectively, for fiscal year 2015. This compares to 2.9% and 1.1%, respectively, for fiscal year 2014.

## **MISSOURI HOUSING DEVELOPMENT COMMISSION**

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### Management's Discussion and Analysis (*Continued*)

#### **Revenues**

Interest and investment income totaled \$51.4 million in fiscal year 2015, as compared to \$61.8 million in fiscal year 2014 (a decrease of 16.7% in fiscal year 2015). This income includes a fair value decrease of \$411,000 in fiscal year 2015 and a fair value increase of \$4.4 million in fiscal year 2014. Changes in the fair value of the Commission's portfolio of mortgage-backed securities and other investments result from fluctuations in interest rates and other market factors. Without the fair value adjustments, interest and investment income decreased 9.7% in fiscal year 2015 reflecting the decrease in the Commission's mortgage investment interest earnings that declined due to a decrease in the average level of mortgage investments held throughout the year. Depending on future financial markets, interest rate fluctuations are expected to have continuing material effects on the Commission's financial statements.

#### **Grants and Federal Assistance**

Federal and state grant program revenues and expenses represent activity related to projects funded by HUD (including Section 8 Contract Administration and HOME Investment Partnership) and other federal programs. These revenues totaled \$151.9 million in fiscal year 2015 as compared to \$152.4 million in fiscal year 2014 while expenses incurred were \$146.8 million in fiscal year 2015 and \$144.7 million in fiscal year 2014. The fiscal year 2015 change is primarily due to a decrease in the HOME Investment Partnership and an increase in Section 8 Contract Administration funding. The fiscal year 2014 increase was primarily due to increases in the HOME Investment Partnership and Section 8 Contract Administration funding. HOME Investment Partnership funding has varied reflecting timing of awards and disbursements in addition to a change in federal allocation for this program and totaled \$9.8 million in fiscal year 2015, as compared to \$14.5 million in fiscal year 2014. These programs, along with federal and state tax credit programs, are integral to the Commission's achievement of its objectives. The Commission continues to effectively use federal government programs that serve its mission by utilizing those that provide resources that leverage its net position and other resources to finance affordable multifamily and owner-occupied housing for Missourians as well as provide housing assistance to very low-income Missourians.

#### **Expenses**

Interest costs were \$29.1 million for fiscal year 2015 as compared to \$35.6 million for fiscal year 2014 (a decrease of 18.3% in fiscal year 2015). The fiscal year 2015 decrease is primarily attributable to the decrease in the amount of total debt outstanding and to the decrease in the rates on newer debt issues, particularly the lower interest rates achieved with refunding bonds.

## **MISSOURI HOUSING DEVELOPMENT COMMISSION**

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### Management's Discussion and Analysis (*Continued*)

Beyond the costs associated with debt financing, the Commission's chief operating costs consist of compensation, facilities rent, information systems, professional services and travel expenses. These costs totaled \$13.0 million in fiscal year 2015 (\$12.5 million in fiscal year 2014). Excluding the net change in the fair value of investments, these costs represented 5.96% of revenues in fiscal year 2015 as compared to 5.52% of revenues in fiscal year 2014.

### **Economic and Other Factors**

The Commission's programs and activities are subject to economic and other factors that may affect the Commission's financial position and operations. In the coming year, changes in interest rates can be expected to impact investment earnings and may result in large fluctuations in the fair value of investments and mortgage-backed securities.

With respect to financing its single family programs, the Commission may sell mortgage-backed securities, including sales in the To-Be-Announced (TBA) market as an alternative to financing in the traditional tax-exempt bond market. Mortgage prepayments are expected to result in a decline in mortgage investments to be accompanied by corresponding bond redemptions.

The Commission administers the Project-Based Section 8 program in the State through a contract with HUD, which results in over \$139,000,000 in housing assistance payment revenue and expense activity annually. HUD may extend the current contract, which terminates June 30, 2016, and is expected to competitively bid this program administration at a future time for which the Commission plans to submit an application.

### **Contacting the Commission's Financial Management**

This financial report is designed to provide the Commission's stakeholders with a general overview of the Commission's finances and to demonstrate accountability of resources. Questions about this report or inquiries for additional financial information may be directed to the Director of Finance at the Missouri Housing Development Commission, 920 Main Street, Suite 1400, Kansas City, Missouri, 64105 or visit the Commission's website at [www.mhdc.com](http://www.mhdc.com).

# MISSOURI HOUSING DEVELOPMENT COMMISSION

## STATEMENT OF NET POSITION June 30, 2015 (In Thousands)

### **Assets**

#### **Current Assets**

|                             |               |
|-----------------------------|---------------|
| Cash and cash equivalents   | \$ 10,360     |
| Investments                 | 9,483         |
| Mortgage investments        | 6,837         |
| Accrued interest receivable | 2,485         |
| Accounts receivable - other | 763           |
| Prepaid expenses            | 76            |
| <b>Total Current Assets</b> | <b>30,004</b> |

#### **Noncurrent Assets**

##### Restricted assets

|                                |                  |
|--------------------------------|------------------|
| Cash and cash equivalents      | 112,295          |
| Investments                    | 175,040          |
| Mortgage investments           | 1,172,492        |
| Accrued interest receivable    | 3,864            |
| Accounts receivable - other    | 50               |
| <b>Total Restricted Assets</b> | <b>1,463,741</b> |

##### Investments

|   |                  |
|---|------------------|
| Accounts receivable - other   | 66               |
| Mortgage investments, net of current portion and allowances for loan losses of \$42,965 | 76,330           |
| Capital assets, less accumulated depreciation of \$4,156                                | 674              |
| <b>Total Noncurrent Assets</b>  | <b>1,724,792</b> |

#### **Total Assets**

1,754,796

#### **Deferred Outflows of Resources**

|   |              |
|---|--------------|
| Refunding of debt                           | 10           |
| Pension                                     | 1,022        |
| <b>Total Deferred Outflows of Resources</b> | <b>1,032</b> |

# MISSOURI HOUSING DEVELOPMENT COMMISSION

## STATEMENT OF NET POSITION (*Continued*)

**June 30, 2015**  
**(In Thousands)**

### **Liabilities**

#### **Current Liabilities**

|                                  |               |
|----------------------------------|---------------|
| FHLB advance payable             | \$ 19,729     |
| Accrued interest payable         | 134           |
| Accounts payable                 | 1,709         |
| Unearned revenue                 | 1,286         |
| <b>Total Current Liabilities</b> | <b>22,858</b> |

#### **Current Liabilities - Payable from Restricted Assets**

|   |                |
|---|----------------|
| Bonds and notes payable   | 25,731         |
| Accrued interest payable  | 6,795          |
| Escrow deposits   | 106,489        |
| Rent subsidies and other payables                                 | 324            |
| Accounts payable  | 235            |
| <b>Total Current Liabilities - Payable from Restricted Assets</b> | <b>139,574</b> |

#### **Noncurrent Liabilities**

|                                     |                  |
|-------------------------------------|------------------|
| Bonds and notes payable             | 5,895            |
| Pension                             | 7,178            |
| Unearned revenue                    | 8,642            |
| Payable from restricted assets      |                  |
| Bonds and notes payable             | 837,796          |
| <b>Total Noncurrent Liabilities</b> | <b>859,511</b>   |
| <b>Total Liabilities</b>            | <b>1,021,943</b> |

#### **Deferred Inflows of Resources**

|  |              |
|--|--------------|
| Refunding of debt                          | 1,620        |
| Pension                                    | 2,093        |
| <b>Total Deferred Inflows of Resources</b> | <b>3,713</b> |

#### **Net Position**

|   |                   |
|---|-------------------|
| Net investment in capital assets            | 674               |
| Restricted                                  | 484,761           |
| Unrestricted, including designated balances | 244,737           |
| <b>Total Net Position</b>                   | <b>\$ 730,172</b> |

# MISSOURI HOUSING DEVELOPMENT COMMISSION

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION For The Year Ended June 30, 2015 (In Thousands)

### **Operating Revenues**

|   |                |
|---|----------------|
| Interest and investment income            |                |
| Income - mortgage investments             | \$ 45,795      |
| Income - investments                      | 6,036          |
| Net decrease in fair value of investments | (411)          |
|   |                |
| Total interest and investment income      | 51,420         |
| Administration fees                       | 5,633          |
| Other income                              | 8,254          |
| Federal program income                    | 151,932        |
|   |                |
| <b>Total Operating Revenues</b>           | <b>217,239</b> |

### **Operating Expenses**

|                                     |                |
|-------------------------------------|----------------|
| Interest expense on bonds           | 29,085         |
| Bond debt expense                   | 2,170          |
| Compensation                        | 8,395          |
| General and administrative expenses | 4,574          |
| Rent and other subsidy payments     | 2,447          |
| Housing Trust Fund grants           | 3,873          |
| Federal program expenses            | 146,817        |
|                                     |                |
| <b>Total Operating Expenses</b>     | <b>197,361</b> |

|                        |        |
|------------------------|--------|
| Change in Net Position | 19,878 |
|------------------------|--------|

|  |                |
|--|----------------|
| <b>Net Position - Beginning of Year, as Restated</b> | <b>710,294</b> |
|--|----------------|

|                                   |                   |
|-----------------------------------|-------------------|
| <b>Net Position - End of Year</b> | <b>\$ 730,172</b> |
|-----------------------------------|-------------------|

# MISSOURI HOUSING DEVELOPMENT COMMISSION

## STATEMENT OF CASH FLOWS For The Year Ended June 30, 2015 (In Thousands)

### Cash Flows from Operating Activities

|  |               |
|--|---------------|
| Interest received on mortgage investments                      | \$ 45,658     |
| Fees, charges and other  | 11,759        |
| Principal repayments on mortgage loans                         | 141,772       |
| Disbursements of mortgage loans                                | (162,062)     |
| Federal revenue  | 151,932       |
| Federal expenses   | (146,817)     |
| Collection of compliance and origination fees                  | 1,873         |
| Cash payments for compensation, administrative and other costs | (12,877)      |
| Other operating payments                                       | (8,740)       |
| <b>Net Cash Provided by Operating Activities</b>               | <b>22,498</b> |

### Cash Flows from Noncapital Financing Activities

|   |                 |
|---|-----------------|
| Retirement of principal on bonds and notes              | (322,691)       |
| Proceeds from issuance of bonds and notes               | 299,750         |
| Interest paid on bonds and notes                        | (33,628)        |
| Change in escrow deposits                               | 3,964           |
| <b>Net Cash Used in Noncapital Financing Activities</b> | <b>(52,605)</b> |

### Cash Flows Used in Capital and Related Financing Activities

|                             |       |
|-----------------------------|-------|
| Payments for capital assets | (309) |
|-----------------------------|-------|

### Cash Flows from Investing Activities

|   |           |
|---|-----------|
| Purchases of investments                          | (118,242) |
| Proceeds from maturities and sales of investments | 118,105   |
| Interest received on investments                  | 6,201     |

|  |              |
|--|--------------|
| <b>Net Cash Provided by Investing Activities</b> | <b>6,064</b> |
|--|--------------|

|  |                 |
|--|-----------------|
| <b>Net Decrease in Cash and Cash Equivalents</b> | <b>(24,352)</b> |
|--|-----------------|

|  |                |
|--|----------------|
| <b>Cash and Cash Equivalents - Beginning of Year</b> | <b>147,007</b> |
|--|----------------|

|  |                   |
|--|-------------------|
| <b>Cash and Cash Equivalents - End of Year</b> | <b>\$ 122,655</b> |
|--|-------------------|

**MISSOURI HOUSING DEVELOPMENT COMMISSION**  
**STATEMENT OF CASH FLOWS (*Continued*)**  
**For The Year Ended June 30, 2015**  
**(In Thousands)**

| <b>Reconciliation of Increase in Net Position to<br/>Net Cash Provided by Operating Activities</b>          |                  |
|---|------------------|
| Increase in net position  | \$ 19,878        |
| Adjustments to reconcile increase in net position to<br>net cash provided by (used in) operating activities |                  |
| Depreciation  | 339              |
| Net decrease in fair value of investments   | 411              |
| Compliance and origination fee receipts   | 1,873            |
| Amortization of unearned revenue  | (1,710)          |
| Income - investments  | (6,036)          |
| Net change in mortgage loans  | (20,290)         |
| Interest expense related to bonds and other debt  | 29,085           |
| Change in deferred outflows related to pensions   | (29)             |
| Change in deferred inflows related to pensions  | 2,093            |
| Change in assets and liabilities  |                  |
| Increase in accounts receivable   | (418)            |
| Increase in accrued mortgage interest receivable  | (137)            |
| Increase in prepaid expenses  | (38)             |
| Decrease in accounts payable  | (140)            |
| Decrease in Pension Liability   | (2,383)          |
| <b>Net Cash Provided by Operating Activities</b>  | <b>\$ 22,498</b> |

# **MISSOURI HOUSING DEVELOPMENT COMMISSION**

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## **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

### **1. Nature of Operations and Summary of Significant Accounting Policies**

#### **Nature of Operations**

The Missouri Housing Development Commission (the Commission) is a body corporate and politic established on October 13, 1969, by Chapter 215 of the Missouri State statutes. In accordance with the provisions of Chapter 215 and resolutions of the Commission, the Commission is authorized to make or purchase mortgage loans that are uninsured, partially insured or insured or guaranteed by the federal government and to insure mortgage loans, the funds of which are to be used to develop new or rehabilitated low- and moderate-income housing. The Commission is also authorized to issue bonds for making or purchasing such loans. The outstanding balance of bonds applicable to loans not insured or guaranteed by a federal agency or to bonds rated lower than "AA" by rating agencies at the time of issuance shall not exceed \$200,000,000. At June 30, 2015, the Commission had \$67,319,000 of bonds outstanding applicable to loans that are not so insured or guaranteed or to bonds that are not so rated. Bonds issued by the Commission are not an obligation of the state of Missouri (State).

#### **Reporting Entity**

The Commission defines its reporting entity to include all component units for which the Commission is financially accountable. The extent of financial accountability is based upon several criteria including: appointment of a voting majority of the governing body, imposition of will, financial benefit to or burden on a primary government and financial accountability as a result of fiscal dependency. No separate entities meet the requirements to be considered component units of the Commission.

The Commission is considered a related organization of the state of Missouri for financial reporting purposes. Accordingly, the Commission is included as a footnote disclosure in the state of Missouri's comprehensive annual financial report.

## **MISSOURI HOUSING DEVELOPMENT COMMISSION**

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### Notes to the Financial Statements (*Continued*)

For financial reporting purposes, the Commission reports its operations as a single enterprise fund. The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting with revenues recognized when earned and expenses recorded when incurred. All significant interfund transactions are eliminated.

Revenues and expenses are typically divided into operating and nonoperating items. Operating revenues generally result from providing services in connection with the Commission's principal ongoing operations. The principal operating revenues of the Commission are derived from the investment income from loans and investments, financing fees, federal program funding and other charges related to providing financing for affordable housing through mortgage loans and grants. Operating expenses consist primarily of interest expense on bonds outstanding and federal program expenses and other costs to administer its affordable housing programs. All revenues and expenses not meeting these definitions would be reported as nonoperating revenues and expenses. The Commission has no nonoperating activities.

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, then unrestricted resources as they are needed.

### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

### **Cash and Cash Equivalents**

For purposes of reporting cash flows, cash and cash equivalents include cash on hand and on deposit and temporary investments with an original maturity of three months or less. At June 30, 2015, cash equivalents consisted primarily of money market funds and Federal Home Loan Bank (FHLB) daily time accounts.

## **MISSOURI HOUSING DEVELOPMENT COMMISSION**

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### Notes to the Financial Statements (*Continued*)

#### **Investments**

Securities purchased under agreements to resell, U.S. government and agency securities and mortgage-backed securities are reported at fair value as determined by the investment custodians utilizing prices quoted by securities dealers or brokers, investment bankers or statistical services on the valuation date. For the year ended June 30, 2015, the net decrease in fair value of investments was \$411,000.

#### **Mortgage Investments**

Proceeds from the sale of bonds as well as resources provided in the Commission's warehousing program and net position are used to make mortgage loans and to purchase mortgage-backed securities guaranteed as to timely payment of principal and interest by the Government National Mortgage Association (GNMA), Fannie Mae or the Federal Home Loan Mortgage Corporation (FHLMC) and backed by pools of qualifying mortgage loans. Advances made on such loans during the construction period of related housing units are recorded as construction loans and are transferred to mortgage loans upon final endorsement after construction completion. Mortgage and construction loans are reported at cost, while GNMA, Fannie Mae and FHLMC mortgage-backed securities are reported at fair value as determined by external investment custodians and quoted market prices.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoffs are reported at their outstanding principal balances adjusted for any charge-offs and the allowance for loan losses. Generally, loans are evaluated for nonaccrual status at 90 days past due and interest is considered a loss, unless the loan is well secured and in the process of collection.

#### **Allowance for Loan Losses**

The allowance for loan losses is for uninsured loans, Risk-Share loans and related accrued interest on such loans. The allowance is management's estimate of uncollectible loans and related accrued interest and is based on existing payment conditions, prior experience and such other factors that, in management's opinion, require consideration. For financial statement presentation, the allowance for loan losses has been netted against the noncurrent portion of mortgage and construction loans.

## **MISSOURI HOUSING DEVELOPMENT COMMISSION**

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### Notes to the Financial Statements (*Continued*)

#### **Original Issue Discounts/Premiums**

Original issue bond discounts and premiums are deferred and amortized over the life of the related issue using the outstanding bond method, which approximates the effective interest method.

#### **Capital Assets**

Capital assets consist of leasehold improvements, software, office furniture and equipment, which are stated at cost less accumulated depreciation. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets, which range from three to nine years. The Commission defines capital assets as assets with an initial, individual cost of more than \$750 and an estimated useful life in excess of one year.

#### **Arbitrage Rebate**

Federal income tax rules limit the investment and loan yields which the Commission may retain for its own use from investing the proceeds of certain tax-exempt bond issues. The excess yields payable to the U.S. Treasury are included in accounts payable and are based on estimated calculations performed by an independent valuation specialist on an ongoing basis.

#### **Deferred Inflows and Deferred Outflows of Resources**

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. This separate financial element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources until then.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. This separate financial element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources until then.

#### **Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Missouri State Employees' Retirement System (MOSERS) and additions to and deductions from MOSERS' fiduciary net position have been determined on the same basis as they are reported by MOSERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## **MISSOURI HOUSING DEVELOPMENT COMMISSION**

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### Notes to the Financial Statements (*Continued*)

#### **Net Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows in the financial statements. Net position is classified as follows:

**Net Investment in Capital Assets:** This component of net position consists of capital assets, net of accumulated depreciation.

**Restricted Net Position:** This component of net position consists of restrictions placed on net position use through external constraints imposed by grant agreements and contracts, laws or regulations of other governments, bond resolution or constraints imposed by law through constitutional provisions or enabling legislation.

**Unrestricted Net Position:** This component represents net position used at the discretion of the Board of Commissioners to complement bond and loan programs, to fund housing initiatives and to provide for the Commission's operations. Certain unrestricted net position has been designated by the Commission to provide for its housing programs. Unrestricted net position provides additional security for the Commission's general obligations and commitments.

#### **Fees, Charges and Expenses**

Unearned revenue consists primarily of tax credit fees and compliance monitoring fees that are recognized as income over the contractual periods.

Service and other fees and charges are recorded as income when earned and the associated administrative expenses are recorded as incurred.

Operating expenses identifiable to a particular program are charged directly to the program. All other operating expenses are accounted for by the Commission in the Operating Fund (see *Note 2*).

#### **Federal Assistance and Grants**

The Commission administers grants and federal assistance programs, representing "pass-through" financial assistance, on the behalf of secondary recipients. The Commission recognizes financial activity related to pass-through grants and financial assistance as revenues and expenses of the Commission. Grants received from federal, state and local governments are recognized as operating revenue as the related expenditures are incurred.

## **MISSOURI HOUSING DEVELOPMENT COMMISSION**

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### Notes to the Financial Statements (*Continued*)

#### **Debt Refunding**

For current refundings and advance refundings resulting in defeasance of debt reported by proprietary activities, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense over the remaining life of the old or new debt, whichever is shorter, using the bonds outstanding method. The deferred refunding amounts are classified as deferred inflows or deferred outflows of resources in the financial statements.

#### **New Accounting Standards**

For fiscal year ended June 30, 2015, the Commission implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These statements established standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expense. As a result of the implementation, net position as of July 1, 2014 was restated as follows (in thousands):

|   |            |
|---|------------|
| Net position, as previously reported                      | \$ 718,862 |
| Prior period adjustments                                  |            |
| Net pension liability (measurement date of June 30, 2013) | (9,561)    |
| Deferred outflows   |            |
| Contributions during the fiscal year ended June 30, 2014  | 993        |
| Total prior period adjustment                             | (8,568)    |
| Net position, as restated                                 | \$ 710,294 |

## **2. Description of Funds or Programs**

The following describes the funds or programs maintained by the Commission, all of which conform to Chapter 215 of the Missouri state statutes and the respective bond resolutions.

## **MISSOURI HOUSING DEVELOPMENT COMMISSION**

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### Notes to the Financial Statements (*Continued*)

#### **Operating Fund**

Funding of the Operating Fund on an ongoing basis is derived principally from allowable transfers from other funds, fees earned for administering various U.S. Department of Housing and Urban Development (HUD) programs, and interest income from Operating Fund investments and mortgage loans. Mortgage and construction loans in the Operating Fund are collateralized by deeds of trust on the related properties, including approximately \$10,015,000 at June 30, 2015, which are insured by HUD or guaranteed by the Veterans Administration (VA). These insured loans include \$6,550,000 at June 30, 2015, which are FHA-insured “Risk-Share Mortgage Loans,” as described in *Note 4*. Authorized activities of the Operating Fund include the following:

- Payment of general and administrative expenses and other costs not payable by other funds of the Commission.
- Financing multifamily or homeownership residential housing units from accumulated fund balances, if financing of such units is not provided for under existing bond indentures.
- Those activities deemed necessary to fulfill the Commission’s corporate purposes for which special funds are not established.

The Commission administers the Missouri Housing Trust Fund, which provides for a variety of housing needs, such as emergency home repair, emergency rent, mortgage or utility payments, rehabilitation or new construction of housing and related services for very low-income families and individuals. The Missouri Housing Trust Fund is authorized by Section 215.034, RSMo and its financial activities are included in the financial statements of the Commission. Separate financial statements for the Missouri Housing Trust Fund may be obtained through the Commission.

#### **Multifamily Bond-Financed Program (2000 Indenture)**

The Commission’s Multifamily Bond-Financed Program (2000 Indenture) was established to support the financing and refinancing of eligible multifamily projects and includes funds and accounts to allocate the proceeds from the bond sales, receive payments on the related mortgage loans, provide for payment of the debt service requirements on the bonds and retain balances in reserves all pursuant to the Commission’s Trust Indenture dated as of June 1, 2000. All loans are insured by HUD, including HUD’s Risk-Share Program.

## **MISSOURI HOUSING DEVELOPMENT COMMISSION**

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### Notes to the Financial Statements (*Continued*)

#### **Multifamily Bond-Financed Program (2014 Indenture)**

The Commission's Multifamily Bond-Financed Program (2014 Indenture) was established to succeed the program established in 2000 with updated terms and flow of funds to support the financing and refinancing of eligible multifamily projects and includes funds and accounts to allocate the proceeds from the bond sales, receive payments on the related mortgage loans, provide for payment of the debt service requirements on the bonds and retain balances in reserves all pursuant to the Commission's Trust Indenture dated as of April 1, 2014. All loans are insured by HUD, including HUD's Risk-Share Program.

#### **Other Multifamily Bond-Financed Programs (Conduit Debt)**

The Commission's Other Multifamily Bond-Financed Programs were established to support the financing and refinancing of eligible multifamily projects pursuant to the Commission's separate multifamily trust indentures, excluding the Commission's Trust Indentures dated as of June 1, 2000 and April 1, 2014. All loans, including uninsured and non-guaranteed conduit loans which totaled \$67,319,000 at June 30, 2015, are financed by the borrowers with limited obligation revenue bonds, for which the Commission served as a conduit issuer. The Commission reports the conduit bonds outstanding and the related mortgage loans and mortgage-backed securities.

#### **Homeownership Bond-Financed Program (1995 Indenture)**

The Commission's Homeownership Bond-Financed Program was established to support the financing of loans for low and moderate income homebuyers and includes funds and accounts to allocate the proceeds from the bond sales, receive payments on the related mortgage loans, provide for payment of the debt service requirements on the bonds and retain balances in reserves. The bonds are secured by mortgage-backed securities backed by pools of the mortgage loans pursuant to the Commission's Trust Indenture dated as of June 15, 1995. The pledged mortgage-backed securities are guaranteed as to timely payment of principal and interest by GNMA, Fannie Mae or FHLMC.

## **MISSOURI HOUSING DEVELOPMENT COMMISSION**

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### Notes to the Financial Statements (*Continued*)

#### **Special Homeownership Bond-Financed Program (2009 Indenture)**

The Commission's Special Homeownership Bond-Financed Program was established under the United States Treasury's Single Family New Issue Bond Program to support the financing of loans for low and moderate income homebuyers and includes funds and accounts to allocate the proceeds from the bond sales, receive payments on the related mortgage loans, provide for payment of the debt service requirements on the bonds and retain balances in reserves. The bonds are secured by mortgage-backed securities on eligible owner-occupied units pursuant to the Commission's Trust Indenture dated as of December 1, 2009. The pledged mortgage-backed securities are guaranteed as to timely payment of principal and interest by GNMA, Fannie Mae or FHLMC.

#### **First Place Homeownership Bond-Financed Program (2015 Indenture)**

The Commission's First Place Homeownership Bond-Financed Program was established to succeed the Special Homeownership Bond-Financed Program due to specific restrictions imposed under the program established by the Treasury Department to support the financing of loans for low and moderate income homebuyers and includes funds and accounts to allocate the proceeds from the bond sales, receive payments on the related mortgage loans, provide for payment of the debt service requirements on the bonds and retain balances in reserves. The bonds are secured by mortgage-backed securities on eligible owner-occupied units pursuant to the Commission's Trust Indenture dated as of May 1, 2015. The pledged mortgage-backed securities are guaranteed as to timely payment of principal and interest by GNMA, Fannie Mae or FHLMC.

## **MISSOURI HOUSING DEVELOPMENT COMMISSION**

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### Notes to the Financial Statements (*Continued*)

### **3. Cash and Investments**

A summary of cash and investments as of June 30, 2015 is as follows (in thousands):

|   | <b>Cost</b>          | <b>Fair Value</b>    |
|---|----------------------|----------------------|
| Cash and cash equivalents                               |                      |                      |
| Cash  | \$ 20,109            | \$ 20,109            |
| FHLB daily time accounts                                | 1,695                | 1,695                |
| Money market funds                                      | 100,851              | 100,851              |
| <br>Total cash and cash equivalents                     | <br><hr/> \$ 122,655 | <br><hr/> \$ 122,655 |
| Investments   |                      |                      |
| U.S. Treasury bonds and notes<br>and agency obligations | \$ 366,282           | \$ 365,824           |
| Guaranteed investment contracts                         | 2,680                | 2,680                |
| Total investments                                       | 368,962              | 368,504              |
| <br>Total cash and cash equivalents<br>and investments  | <br><hr/> \$ 491,617 | <br><hr/> \$ 491,159 |

#### **Investment Policy**

##### **General**

The Commission's Investment Policy and Guidelines are formalized in Resolution No. 925. This policy applies to investments that are not held by a trustee in connection with bond or note issues. This policy permits the Commission to invest in obligations of the state of Missouri, obligations of the United States of America, obligations issued or guaranteed by certain agencies of the federal government, certain collateralized repurchase agreements and certificates of deposit. The general policy of the Commission is to make investments for future funding requirements and not for trading purposes. At June 30, 2015, all of the Commission's general investments (non-bond related investments) were in compliance with the Commission's Investment Policy and Guidelines.

##### **Indentures**

The Commission's bond indentures permit investments in the direct obligations of, or obligations guaranteed by, the United States of America, certificates of deposit, investment agreements and certain other investments permitted by applicable law. At June 30, 2015, all investments of debt-related issues held by the Commission's trustees were in compliance with the requirements of the indentures.

## MISSOURI HOUSING DEVELOPMENT COMMISSION

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### Notes to the Financial Statements (*Continued*)

#### Investment Maturities

As of June 30, 2015, the Commission had the following investments and maturities (in thousands):

| Investment Type                 | Fair Value | Investment Maturities (in Years) |            |            |              |
|---------------------------------|------------|----------------------------------|------------|------------|--------------|
|                                 |            | Less Than 1                      | 1 - 5      | 6 - 10     | More Than 10 |
| U.S. Treasury securities        | \$ 9,545   | \$ 1,250                         | \$ —       | \$ 14      | \$ 8,281     |
| U.S. agency securities          | 356,279    | 21,194                           | 136,742    | 198,343    | —            |
| Guaranteed investment contracts | 2,680      | —                                | —          | —          | 2,680        |
| Total investments               | \$ 368,504 | \$ 22,444                        | \$ 136,742 | \$ 198,357 | \$ 10,961    |

The Commission's Investment Policy and Guidelines limit investments for general funds in repurchase agreements to 90 days and U.S. Treasury and U.S. agency securities to 10 years. The bond resolutions and indentures allow for investments in obligations of the United States of America and investment agreements for the terms specified in these documents, generally 30 years.

At June 30, 2015, as reported at fair value, the Commission's U.S. agency securities consist of \$124,676,000 Federal Farm Credit Bank (FFCB), \$93,545,000 Fannie Mae, \$84,640,000 FHLB and \$53,418,000 FHLMC debt securities.

#### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates may adversely affect the fair value of investments. The Commission manages interest rate risk by structuring investment portfolios so that securities mature to meet cash requirements for ongoing operations and debt service obligations, thereby avoiding the need to sell securities on the open market prior to maturity.

#### Credit Risk

The Commission's investments in U.S. government agency securities and money market funds are rated in the highest rating category by Moody's Investor Services (Aaa) and AA+ by Standard & Poor's. Repurchase agreements are unrated, but collateralized by U.S. agency securities. Guaranteed investment contracts are unrated. The contracts generally contain "termination" clauses so the Commission may withdraw funds early if provider credit ratings deteriorate below specified levels and collateral or a guarantee is not provided.

## **MISSOURI HOUSING DEVELOPMENT COMMISSION**

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### Notes to the Financial Statements (*Continued*)

#### **Concentration of Credit Risk**

The Commission places no limit on the amount it may invest in any one issuer with respect to U.S. Treasury Securities and U.S. government agency securities. Obligations of the state of Missouri and collateralized certificates of deposit are limited to 60% of the nonbond fund portfolio, each. Collateralized repurchase agreements are limited to 50% of the nonbond fund portfolio. The following table lists investments in issuers that represent 5% or more of total investments at June 30, 2015:

| <u>Issuer</u>                          | <u>Percent of<br/>Total<br/>Investments</u> |
|--|---|
| Federal Farm Credit Bank               | 33.8%                                       |
| Fannie Mae                             | 25.4%                                       |
| Federal Home Loan Bank                 | 23.0%                                       |
| Federal Home Loan Mortgage Corporation | 14.5%                                       |

#### **Custodial Credit Risk**

For investments, custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. In accordance with its policy, the Commission addresses custodial credit risk by pre-qualifying institutions with which the Commission places investments, diversifying its investment portfolio and maintaining a standard of quality for its investments.

Investments in U.S. government and agency securities are carried at fair value. At June 30, 2015, securities approximating \$12,363,000 are uninsured and unregistered investments for which the securities are held by the Commission's counterparty.

## **MISSOURI HOUSING DEVELOPMENT COMMISSION**

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### **Notes to the Financial Statements (*Continued*)**

For deposits, custodial credit risk is the risk that in the event of a bank failure, the Commission may not be able to recover its deposits. Protection of the Commission's deposits of \$20,009,000 is provided by the Federal Deposit Insurance Corporation, FHLB letters of credit and by eligible securities pledged by the financial institution. Deposits with the FHLB include \$100,000 in a demand deposit account, and \$1,695,000 in daily time accounts, which are uninsured and uncollateralized, but are secured by the full faith and credit of the FHLB System with implicit government support.

#### **4. Mortgage Investments**

Mortgage investments reflected in the statement of position consist of the following as of June 30, 2015 (in thousands):

|  |                  |
|--|------------------|
| Total mortgage loan principal outstanding            | \$ 557,103       |
| Less: Allowance for mortgage loan losses             | (42,965)         |
| <br><u>Mortgage loans, net</u>                       | <br>514,138      |
| <br>Total mortgage-backed securities, at cost        | <br>686,875      |
| Unrealized gain on securitized mortgage loans        | 54,646           |
| <br><u>Mortgage-backed securities, at fair value</u> | <br>741,521      |
| <br><u>Mortgage investments, net</u>                 | <br>\$ 1,255,659 |

Mortgages include loans financed by the federal HOME Investment Partnership Program totaling \$201,652,000 as of June 30, 2015. A portion of these loans totaling \$82,501,000 at June 30, 2015 include prepayment terms allowing deferment or repayment based on net income of the multifamily developments. An estimated allowance for mortgage loan losses of \$21,877,000 is attributable to this portfolio at June 30, 2015. At June 30, 2015, mortgages also include \$29,798,000 in loans financed by the federal Tax Credit Assistance Program (TCAP). An estimated allowance for mortgage loan losses of \$4,229,000 is attributable to this portfolio at June 30, 2015.

## **MISSOURI HOUSING DEVELOPMENT COMMISSION**

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### Notes to the Financial Statements (*Continued*)

The Commission warehouses mortgage-backed securities created by its single family homeownership programs. The warehoused securities have been funded by net position or through short-term FHLB advances. U.S. agency securities, which totaled \$54,054,000 at June 30, 2015, are pledged as collateral for the short-term FHLB advances. There were warehoused mortgage-backed securities totaling \$20,474,000 held at June 30, 2015.

The single family bond-financed programs generally require that mortgage loans be made to borrowers whose household income does not exceed the statewide or applicable metropolitan statistical area (MSA) median income, based on family size. For loans financed with tax-exempt bond proceeds, Section 143 of the Internal Revenue Code specifies certain requirements with respect to the nature of the residence, mortgage and eligibility of the borrower. These programs provide funding for mortgage loans that are FHA insured, VA guaranteed, USDA/RD guaranteed or Fannie Mae-qualified conventional loans.

The multifamily bond-financed programs provide long-term financing for rental housing developments for occupancy by families and persons of low and moderate incomes. The Commission has entered into a Risk Sharing Agreement with HUD, which permits the Commission to participate in HUD's Risk-Share Program. In accordance with the terms of this agreement, HUD will insure certain mortgage loans on rental housing developments (FHA-insured "Risk-Share Mortgage Loans") and the Commission will underwrite the Risk-Share Mortgage Loans following its underwriting guidelines. HUD will insure the Risk-Share Mortgage Loans and will bear 50% of the risk and the Commission will bear the remaining 50% of the risk. The Commission had Risk-Share Mortgage Loans totaling \$148,440,000, representing 59 loans as of June 30, 2015.

The proceeds of multifamily and single family mortgage revenue bonds, as indicated in *Note 5*, as well as resources of the Commission's mortgage-backed security warehousing program were used to purchase GNMA, Fannie Mae and FHLMC certificates collateralized by mortgage loans approved in accordance with the guidelines of the Commission's mortgage programs. The financing periods of the pooled mortgage loans are 30 years. Mortgage-backed securities have repayments based on the underlying pooled mortgages and are subject to prepayment.

The fair value of the mortgage-backed securities is sensitive to changes in interest rates, which may result in large fluctuations in carrying value and investment earnings as reported. The mortgage-backed securities held have stated interest rates ranging from 2.50% to 8.30%, while the underlying mortgages have stated interest rates ranging from 3.0% to 8.8%.

## **MISSOURI HOUSING DEVELOPMENT COMMISSION**

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### **Notes to the Financial Statements (*Continued*)**

GNMA, Fannie Mae and FHLMC certificates, which are included in mortgage investment balances, are presented in the statement of net position at fair value. The Commission's mortgage-backed securities are rated in the highest rating category by Moody's Investor Services (Aaa) and AA+ by Standard & Poor's. As of June 30, 2015, the par value of securitized mortgage loans consist of 90.1% GNMA, 9.1% Fannie Mae and 0.8% FHLMC certificates. All other loans included in mortgage investments are carried at cost. The following summarizes the carrying value and cost of mortgage investments (in thousands):

|   | <b>Carrying<br/>Value</b> | <b>Cost</b>         |
|---|---------------------------|---------------------|
| GNMA, Fannie Mae and<br>FHLMC mortgage-backed<br>securities | \$ 741,521                | \$ 686,875          |
| Other mortgage loans  | 557,103                   | 557,103             |
| <br><b>Total mortgage investments</b>                       | <b>\$ 1,298,624</b>       | <b>\$ 1,243,978</b> |

## **5. Bonds Payable and Long-Term Liabilities**

The following is a summary of the changes in long-term liabilities for the year ended June 30, 2015 (in thousands):

|   | <b>Balance<br/>June 30,<br/>2014</b> | <b>Increases</b>  | <b>Decreases</b>    | <b>Balance<br/>June 30,<br/>2015</b> | <b>Amount<br/>Due<br/>Within<br/>One Year</b> |
|---|--------------------------------------|-------------------|---------------------|--------------------------------------|---|
| Operating Fund  | \$ —                                 | \$ 709,802        | \$ (684,178)        | \$ 25,624                            | \$ 19,729                                     |
| Multifamily Bond-Financed<br>Program (2000 Indenture)               | 155,679                              | —                 | (45,334)            | 110,345                              | 3,212   |
| Multifamily Bond-Financed<br>Program (2014 Indenture)               | 23,699                               | 12,120            | (616)               | 35,203                               | 946   |
| Other Multifamily Bond-Financed<br>Programs (Conduit Debt)          | 74,708                               | —                 | (1,269)             | 73,439                               | 1,277   |
| Homeownership Bond-Financed<br>Program (1995 Indenture)             | 258,668                              | —                 | (111,891)           | 146,777                              | 3,388   |
| Special Homeownership<br>Bond-Financed Program (2009 Indenture)     | 393,161                              | 90,579            | (55,987)            | 427,753                              | 13,797  |
| First Place Homeownership<br>Bond-Financed Program (2015 Indenture) | —                                    | 60,000            | —                   | 60,000                               | 1,910   |
| <b>Total bonds and notes payable</b>                                | <b>905,915</b>                       | <b>872,501</b>    | <b>(899,275)</b>    | <b>879,141</b>                       | <b>44,259</b>                                 |
| Unamortized premium and discount, net                               | 9,438                                | 4,646             | (4,074)             | 10,010                               | 1,201   |
| Total bonds and notes payable, net                                  | 915,353                              | 877,147           | (903,349)           | 889,151                              | 45,460  |
| Unearned revenue  | 9,765                                | 1,873             | (1,710)             | 9,928                                | 1,286   |
| <b>Total long-term debt and other<br/>obligations</b>               | <b>\$ 925,118</b>                    | <b>\$ 879,020</b> | <b>\$ (905,059)</b> | <b>\$ 899,079</b>                    | <b>\$ 46,746</b>                              |

## MISSOURI HOUSING DEVELOPMENT COMMISSION

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### Notes to the Financial Statements (*Continued*)

The net proceeds of bond issues are used to provide financing for multifamily bond financed housing projects or for homeownership residential housing units. The bond proceeds are deposited with and invested by various bank trust departments in qualified investments until required for such financing. These bonds are obligations of the Commission and are not liabilities of the state of Missouri. A summary of bonds payable outstanding at June 30, 2015 follows (in thousands), including the applicable calendar date reference for future maturities or final redemption:

|  | Original<br>Amount | Authorized     | Outstanding |
|--|--------------------|----------------|-------------|
| <b>Multifamily Bond - Financed Program (2000 Indenture)</b>                    |                    |                |             |
| 2003 Series 8 Stratford Commons (4.35% to 5.20%), due 2014 - 2035              | \$ 4,385           | \$ 1,845       |             |
| 2004 Series 5 FP-San Remo Apts. (4.75% to 5.45%), due 2015 - 2036              | 3,785              | 1,955          |             |
| 2005 Series 3 Olde Oak Tree & Landmark Towers (4.15% to 4.80%), due 2016- 2036 | 6,520              | 5,085          |             |
| 2005 Series 4 Park Place Apts. (4.10% to 4.70%), due 2014 - 2037               | 10,330             | 8,650          |             |
| 2005 Series 5 Hawkins Village Apts. (4.35% to 5.00%), due 2014 - 2042          | 5,335              | 4,685          |             |
| 2005 Series 6 Ivanhoe Gardens Apts. (4.25% to 4.875%), due 2014 - 2036         | 4,240              | 2,215          |             |
| 2006 Series 1 Meadow Ridge Townhouses (4.30% to 5.00%), due 2014 - 2037        | 6,360              | 2,310          |             |
| 2006 Series 3 Eureka & Wendell Apts. (4.30% to 5.00%), due 2014 - 2047         | 3,165              | 2,920          |             |
| 2006 Series 4 Justin Place Apts. (4.5% to 5.00%), due 2014 - 2042              | 5,640              | 2,035          |             |
| 2006 Series 5 Metropolitan Village Apts. (4.5% to 5.00%), due 2014 - 2038      | 5,960              | 5,205          |             |
| 2007 Series 1 Linden Campus Apts. (4.10% to 4.70%), due 2014 - 2048            | 3,980              | 1,855          |             |
| 2009 Series 1 Courthouse Apts. (3.00% to 5.25%), due 2015 - 2042               | 18,940             | 5,510          |             |
| 2010 Series 1 Basie Court Apts. (1.40% to 4.50%), due 2014 - 2042              | 4,967              | 1,407          |             |
| 2010 Series 2 Samantha Heights Apts. (1.75% to 4.75%), due 2014 - 2042         | 8,610              | 5,990          |             |
| 2010 Series 3 Wesley Senior Towers Apts. (1.85% to 5.125%), due 2014- 2042     | 5,395              | 2,755          |             |
| 2010 Series 4 Lucas Heights Apts. (2.85% to 5.40%), due 2016 - 2042            | 8,175              | 3,425          |             |
| 2010 Series 5 Grandview Estates (2.85% to 5.25%), due 2016 - 2042              | 3,531              | 978            |             |
| 2012 Series 1 Refunding Bonds (.70% to 4.25%), due 2014-2038                   | 42,740             | 24,355         |             |
| 2013 Series 1 Friendship Village (.75% to 3.75%), due 2014 - 2045              | 6,555              | 3,270          |             |
| 2013 Series 2 Refunding Bonds (.45% to 4.65%), due 2014-2040                   | 15,560             | 14,770         |             |
| 2013 Series 3 Shepard Apts. (1.0% to 5.0%), due 2015-2045                      | 12,030             | 7,330          |             |
| 2013 Series 4 House Springs Apts. (1.0% to 5.0%) due 2014-2045                 | 2,555              | 1,795          |             |
|  | <u>188,758</u>     | <u>110,345</u> |             |
| Less: Unamortized debt discount  | —                  | (72)           |             |
| Add: Unamortized debt premium  | —                  | 439            |             |
|  | <u>188,758</u>     | <u>110,712</u> |             |
| <b>Multifamily Bond - Financed Program (2014 Indenture)</b>                    |                    |                |             |
| 2014 Series 1 Refunding Bonds (4.2%), due 2040                                 | \$ 23,742          | \$ 23,124      |             |
| 2015 Series 1 Refunding Bonds (3.75%), due 2042                                | <u>12,120</u>      | <u>12,079</u>  |             |
|  | <u>35,862</u>      | <u>35,203</u>  |             |
| <b>Other Multifamily Bond - Financed Programs (Conduit Debt)</b>               |                    |                |             |
| Series 1999 O'Fallon Place Apts. (5.00% to 5.25%), due 2015 - 2032*            | \$ 6,710           | \$ 4,900       |             |
| Series 1999 East Hills Village Apts. (7.30%), due 2030                         | 2,750              | 2,160          |             |
| Series 2004 Bridgeport Apts. (6.60%), due 2041                                 | 6,580              | 6,033          |             |
| 2005 Series I-A and I-B Lakewood Apts. (5.25%), due 2035*                      | 2,750              | 1,220          |             |
| 2005 Series II Chapel Ridge of St. Joseph (6.30%), due 2047                    | 7,150              | 6,373          |             |
| 2005 Series III Chapel Ridge of Union (6.40%), due 2047                        | 6,375              | 5,862          |             |
| 2005 Series IV Chapel Ridge of Blue Springs (6.40%), due 2047                  | 9,800              | 9,063          |             |
| 2006 Series I Bainbridge Apts. (5.75%), due 2016 - 2048                        | <u>15,046</u>      | <u>3,805</u>   |             |
| Total Forward  | 57,161             | 39,416         |             |

# MISSOURI HOUSING DEVELOPMENT COMMISSION

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## Notes to the Financial Statements (*Continued*)

|   | <b>Original<br/>Amount</b> |                    |
|---|----------------------------|--------------------|
|   | <b>Authorized</b>          | <b>Outstanding</b> |
| Total Forward   | \$ 57,161                  | \$ 39,416          |
| <br><b>Other Multifamily Bond - Financed Programs (Conduit Debt) (<i>Continued</i>)</b> |                            |                    |
| 2006 Series II Georgian Court Apts. (5.75%), due 2016 - 2048                            | 8,721                      | 1,926              |
| 2006 Series III Linda Vista Apts. (5.75%), due 2016 - 2048                              | 5,329                      | 931                |
| 2006 Series V Lost Tree South Apts. (6.244%), due 2026                                  | 4,400                      | 2,768              |
| 2006 Series VII Cedar Tree Apts. (5.73%), due 2026                                      | 2,500                      | 1,652              |
| 2006 Series VIII Elmwood Estates Apts. (5.73%), due 2026                                | 3,200                      | 2,522              |
| 2006 Series IX Catalpa Tree Apts. (5.73%), due 2026                                     | 1,800                      | 1,230              |
| 2006 Series X Center Apts. (5.73%), due 2026  | 1,900                      | 1,143              |
| 2007 Series I Park Ridge Apts. (5.665%), due 2039                                       | 12,000                     | 9,182              |
| 2007 Series II Mexico I Apts. (5.88%), due 2026   | 1,100                      | 616                |
| 2007 Series III Princeton Manor Apts. (variable rate), due 2027                         | 2,152                      | 1,501              |
| 2007 Series IV Oakwood Terrace Apts. (variable rate), due 2027                          | 970                        | 740                |
| 2007 Series V Westside Apts. (variable rate), due 2027                                  | 2,400                      | 827                |
| 2007 Series VI Longfellow Apts. (variable rate), due 2040                               | 6,400                      | 2,515              |
| 2011 Series I Brookstone Village (6.00%), due 2021                                      | 6,800                      | 6,470              |
|   | 116,833                    | 73,439             |
| <br><b>Total Multifamily Bond - Financed Programs</b>                                   | <b>341,453</b>             | <b>219,354</b>     |
| <br><b>Homeownership Bond – Financed Program (1995 Indenture)</b>                       |                            |                    |
| 2006 Series A (4.20% to 6.00%), due 2014 - 2037*  | \$ 50,000                  | \$ 6,120           |
| 2006 Series B (4.20% to 6.05%), due 2014 - 2037*  | 100,000                    | 12,725             |
| 2006 Series C (4.30% to 5.90%), due 2014 - 2037*  | 60,000                     | 7,695              |
| 2006 Series D (4.95% to 6.15%), due 2014 - 2037*  | 70,000                     | 6,925              |
| 2006 Series E (5.60% to 5.88%), due 2037*   | 40,000                     | 5,570              |
| 2007 Series A (4.625% to 6.00%), due 2014 - 2038*                                       | 50,000                     | 7,305              |
| 2007 Series B (5.05% to 5.78%), due 2038*   | 35,000                     | 6,000              |
| 2007 Series C (4.70% to 6.25%), due 2014 - 2038*  | 100,000                    | 15,555             |
| 2007 Series D (4.70% to 6.38%), due 2014 - 2038*  | 50,000                     | 6,815              |
| 2007 Series E (5.00% to 5.60%), due 2014 - 2038*  | 66,000                     | 8,605              |
| 2008 Series A (3.70% to 5.70%), due 2014 - 2039*  | 50,000                     | 8,255              |
| 2008 Series B (4.70% to 5.75%), due 2014 - 2034*  | 65,000                     | 6,705              |
| 2008 Series C-1 (5.615%), due 2039*, **   | 8,000                      | 1,237              |
| 2008 Series C-2 (4.48%), due 2039*, **  | 12,000                     | 1,701              |
| 2008 Series C-3 (5.24%), due 2039*, **  | 10,000                     | 1,883              |
| 2008 Series C-4 (5.06%), due 2039*, **  | 10,000                     | 2,800              |
| 2009 Series A (3.10% to 5.35%), due 2014 - 2039*  | 30,000                     | 7,535              |
| 2009 Series B-1 (4.63%), due 2040*, **  | 10,000                     | 2,181              |
| 2009 Series B-2 (4.64%), due 2040*, **  | 5,000                      | 1,815              |
| 2009 Series C (2.65% to 5.00%), due 2014 - 2036*  | 40,000                     | 12,145             |
| 2009 Series D (2.10% to 4.80%), due 2014 - 2040*  | 45,000                     | 17,205             |
|   | 906,000                    | 146,777            |
| Less: Unamortized debt discount   | —                          | (13)               |
| Add: Unamortized debt premium   | —                          | 2,570              |
|   | <b>906,000</b>             | <b>149,334</b>     |
| <br><b>Special Homeownership Bond - Financed Program (2009 Indenture)</b>               |                            |                    |
| 2009 Series E-1 (2.00% to 5.00%), due 2014 - 2041*                                      | \$ 100,000                 | \$ 14,610          |
| 2009 Series E-2 (1.60% to 4.50%), due 2014 - 2041*                                      | 100,000                    | 18,150             |
| 2009 Series E-3 (1.60% to 4.625%), due 2014 - 2041*                                     | 100,000                    | 22,100             |
| <br>Total Forward   | <br>300,000                | <br>54,860         |

## MISSOURI HOUSING DEVELOPMENT COMMISSION

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### Notes to the Financial Statements (*Continued*)

|   | Original<br>Amount  | Authorized        | Outstanding |
|---|---------------------|-------------------|-------------|
| Total Forward   | \$ 300,000          | \$ 54,860         |             |
| <b>Special Homeownership Bond - Financed Program (2009 Indenture)</b>     |                     |                   |             |
| <b>(Continued)</b>  |                     |                   |             |
| 2009 Series E-4 (1.10% to 4.25%), due 2014 - 2041*                        | 100,000             | 76,240            |             |
| 2009 Series E-5 (2.53%) due 2041*   | 30,000              | 26,295            |             |
| 2013 Series A (2.65%) due 2040*   | 45,220              | 31,710            |             |
| 2013 Series B (2.65%) due 2041*   | 54,010              | 41,105            |             |
| 2013 Series D (2.55%) due 2034*   | 44,924              | 27,505            |             |
| 2013 Series C (2.65%) due 2040*   | 47,840              | 36,800            |             |
| 2014 Series A (.25% to 4.00%), due 2015 - 2041*                           | 50,000              | 48,460            |             |
| 2014 Series B (.20% to 4.00%), due 2015 - 2040*                           | 50,000              | 48,450            |             |
| 2014 Series C (2.97%), due 2036*  | <u>40,579</u>       | <u>36,328</u>     |             |
|   | 762,573             | 427,753           |             |
| Add: Unamortized debt premium   | —                   | 5,139             |             |
|   | <u>762,573</u>      | <u>432,892</u>    |             |
| <b>First Place Homeownership Bond - Financed Program (2015 Indenture)</b> |                     |                   |             |
| 2015 Series A (.30% to 3.75%), due 2015 - 2038*                           | \$ 60,000           | \$ 60,000         |             |
|   | 60,000              | 60,000            |             |
| Add: Unamortized debt premium   | —                   | 1,947             |             |
|   | 60,000              | 61,947            |             |
| <b>Total Single Family Bond - Financed Programs</b>                       | <u>1,728,573</u>    | <u>644,173</u>    |             |
| Total bonds payable, net  | <u>\$ 2,070,026</u> | <u>\$ 863,527</u> |             |

The proceeds of bond issues denoted by “\*” are used to purchase GNMA, Fannie Mae and FHLMC mortgage-backed securities, which are backed by mortgage loans originated through the Commission’s loan programs.

The bond issues denoted by “\*\*” are general obligation bonds. All other bond issues are revenue bonds and conduit debt.

The proceeds of the Conduit Debt bond issues are used to provide financing for multifamily rental housing projects. These bonds are limited obligation, conduit debt issued by the Commission, payable solely from and secured by a loan agreement between the Commission and the borrower.

During the fiscal year ended June 30, 2015, the Commission repurchased or redeemed, prior to their scheduled maturity, the principal amount of certain of its bonds. Net gains of \$1,641,000 for the year ended June 30, 2015 on early extinguishment of debt have been recorded and included with other income. These gains arise as a result of immediate recognition of bond premiums, net of immediate recognition of bond discounts, that would have been amortized over the life of the applicable bond issue if not retired and net of call premiums as required by the applicable bond indentures.

## **MISSOURI HOUSING DEVELOPMENT COMMISSION**

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### Notes to the Financial Statements (*Continued*)

#### ***Bond Refundings***

During fiscal year 2015 the Commission issued Taxable Single Family Mortgage Revenue Refunding Bonds 2014 Series C in the aggregate amount of \$40,579,000. The proceeds of the refunding bonds were used to refund the outstanding Single Family Mortgage Revenue Bonds 2005 Series A, B, C and D. The refunding resulted in a difference between the reacquisition price and the net carrying amount of approximately \$627,000. This difference, reported in the accompanying financial statements as deferred inflows of resources, is being recognized in operations through the year 2036 using the bonds outstanding method. The Commission completed the advance refunding to decrease its total debt service payments over the next 21 years by approximately \$5,070,000 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately \$3,527,000.

In addition, during fiscal year 2015 the Commission issued Taxable Multifamily Housing Refunding Revenue Bonds 2015 Series 1 in the aggregate amount of \$12,120,000. The proceeds of the refunding bonds were used to refund the outstanding Multifamily Housing Revenue Bonds 2004 Series 6 and 2005 Series 1 and 2. The refunding resulted in no difference between the reacquisition price and the net carrying amount of refunded debt. The Commission completed the advance refunding to decrease its total debt service payments over the next 27 years by approximately \$2,035,000 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately \$1,337,000.

## **MISSOURI HOUSING DEVELOPMENT COMMISSION**

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### **Notes to the Financial Statements (*Continued*)**

#### ***Bond Maturities***

All bonds have early redemption provisions. A summary of future annual scheduled principal and interest maturities, which excludes unamortized debt discounts and premiums, follows (in thousands):

| <b>Bonds Maturing<br/>During Years<br/><u>Ending June 30,</u></b> | <b>Principal</b>  | <b>Interest</b>   | <b>Total</b>        |
|---|-------------------|-------------------|---------------------|
| 2016  | \$ 24,530         | \$ 28,034         | \$ 52,564           |
| 2017  | 22,321            | 27,633            | 49,954              |
| 2018  | 23,198            | 27,072            | 50,270              |
| 2019  | 24,926            | 26,430            | 51,356              |
| 2020  | 24,863            | 25,714            | 50,577              |
| 2021 - 2025   | 146,618           | 115,341           | 261,959             |
| 2026 - 2030   | 184,593           | 86,001            | 270,594             |
| 2031 - 2035   | 204,591           | 51,249            | 255,840             |
| 2036 - 2040   | 172,074           | 17,044            | 189,118             |
| 2041 - 2045   | 23,881            | 1,411             | 25,292              |
| 2046 - 2050   | 1,922             | 53                | 1,975               |
|   | <hr/>             | <hr/>             | <hr/>               |
|   | <b>\$ 853,517</b> | <b>\$ 405,982</b> | <b>\$ 1,259,499</b> |

In addition to bonds payable, the Commission utilizes short-term FHLB advances. There were advances totaling \$19,729,000 outstanding at June 30, 2015. The short-term FHLB advances included rollover financings of \$576,583,000 in fiscal year 2015. The principal and interest on the short-term FHLB advances is payable at maturity as follows (in thousands):

| <b>Maturity Date</b> | <b>Interest Rate</b> | <b>Principal</b> | <b>Interest</b> | <b>Total</b> |
|----------------------|----------------------|------------------|-----------------|--------------|
| 2015                 | 0.29%                | \$ 19,729        | \$ 3            | \$ 19,732    |

During the current year, in conjunction with an initial Risk-Share claim, the Commission executed a debenture payable to HUD totaling \$5,895,000, which was outstanding at June 30, 2015. Interest at 4.875% is payable annually. The principal and any accrued and unpaid interest is payable at the earlier of maturity in 2020, reinstatement of the Risk-Share mortgage insurance, or final claim settlement.

## **MISSOURI HOUSING DEVELOPMENT COMMISSION**

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### Notes to the Financial Statements (*Continued*)

#### **6. Escrow Deposits and Rent Subsidies Payable**

Escrow deposits represent funds paid by project mortgagees for real estate taxes, insurance, future replacement of property and other costs.

Rent subsidies payable represent funds received from HUD for payment of rent subsidies to participants in the housing assistance programs and for other programs.

Such funds held by the Commission are included in restricted cash, restricted cash equivalents and restricted investments.

#### **7. Restrictions and Designations**

##### **Restricted Cash and Investments**

Substantially all of the assets of each bond program of the Commission are pledged as collateral for the payment of principal and interest on bond indebtedness of that program. Therefore, all related bond program assets of the Commission that are pledged as collateral are treated as restricted and noncurrent. The obligations of the Commission are not obligations of the State, and the State is not liable for such obligations. The trust indentures between the Commission and the trustees establish special accounts for the segregation of assets and restrictions on the use of bond proceeds and certain other funds received.

Resolutions of the Commission require that, to the extent funds are available in the general account of each bond fund, they are to be transferred to a debt service account on a periodic basis, from the date of bond issuance to the date of each succeeding maturity, sufficient to make principal and interest payments on the bonds as they become due. Funds within the general account of each bond fund are on deposit in restricted accounts.

The statute and resolutions of the Commission require that for certain bond issues an amount be maintained in reserve accounts to be used to make principal and interest payments on payment due dates. Such amounts are on deposit in restricted accounts for the various issues within the multifamily and single family mortgage revenue bond programs.

## **MISSOURI HOUSING DEVELOPMENT COMMISSION**

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### **Notes to the Financial Statements (*Continued*)**

In addition, cash and investments held associated with federal grant agreements and mortgage loan escrow agreements are restricted. Pursuant to state statute, the Commission has also restricted cash and investments held for the Missouri Housing Trust Fund.

As of June 30, 2015, the assets of all accounts satisfied the requirements as established by the trust indentures, applicable agreements and state statute. Such assets are restricted as follows (in thousands):

|   |            |
|---|------------|
| Program and Construction Funds - construction<br>escrows and other restricted funds   | \$ 66,487  |
| Mortgage Escrow Accounts - insurance, taxes,<br>replacement reserves and other mortgage escrows   | 102,890    |
| Federal Program Funds   | 1,529      |
| Missouri Housing Trust Fund   | 3,950      |
| Bond Proceeds Accounts - funds for purchase of qualified<br>mortgage-backed securities or mortgage loans<br>and payment of costs of issuance                                    | 11,410     |
| Revenue and Debt Service Funds - program revenues<br>for debt services payments   | 44,958     |
| Debt Service and Other Bond Reserve Accounts - reserves<br>held as required by bond indentures, including: debt<br>service reserves, mortgage reserves and capitalized interest | 56,111     |
|   | <hr/>      |
|   | \$ 287,335 |

### **Restricted Net Position**

Pursuant to certain bond resolutions, the Commission has restricted the net position of the multifamily and single family mortgage revenue bond programs to maintain a level of reserves necessary to provide sound fiscal operations. U.S. agency securities are pledged as collateral for short-term FHLB advances. In addition, net position associated with the federal grant agreements of the HOME Investment Partnership Program and Tax Credit Assistance Program (TCAP) are restricted. In fiscal year 1997, the Commission acquired a portfolio of loans from HUD. Revenues collected from these HUD-purchased loans are restricted by an agreement between the Commission and HUD to be used primarily for rehabilitation loans or grants.

Pursuant to state statute, the Commission has restricted the amount of net position representing revenues over expenses related to the financial activity of the Missouri Housing Trust Fund. Revenues of the Missouri Housing Trust Fund are restricted to programs that financially assist, through loans or grants, the development of housing stock and that provide housing assistance to persons and families with incomes at or below specified levels.

## **MISSOURI HOUSING DEVELOPMENT COMMISSION**

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### **Notes to the Financial Statements (*Continued*)**

Below is a summary of restricted net position by bond resolution and state statute as of June 30, 2015 (in thousands):

| <b>Restricted Net Position</b>   |                   |
|--|-------------------|
| Restricted by bond resolution  | \$ 182,598        |
| Restricted by collateral custodial agreement - FHLB                    | 54,054            |
| Restricted by Grant Agreement - HOME Investment<br>Partnership Program | 203,215           |
| Restricted by Grant Agreement - TCAP                                   | 30,504            |
| Restricted earnings of HUD-purchased Loans                             | 10,532            |
| Restricted by State Statute - Missouri Housing<br>Trust Fund           | 3,858             |
| <b>Total Restricted Net Position</b>                                   | <b>\$ 484,761</b> |

### **Commission Designated Net Position**

The Commission has designated certain unrestricted net position for its affordable housing programs. The Commission has the discretion to reverse any designated net position and as of June 30, 2015, has designated the following amounts (in thousands):

| <b>Designated by Commission for:</b>                         |                   |
|--|-------------------|
| Tenant assistance  | \$ 4,736          |
| Loans not funded by a bond sale                              | 82,556            |
| Loan and other commitments not yet disbursed                 | 26,044            |
| Home Improvement and Multifamily<br>Interest Subsidy Program | 4,900             |
| Single Family Homeownership Program                          | 20,000            |
| Single Family Cash Assistance Program                        | 21,500            |
| Emergency Solutions Grant Program                            | 275               |
| Rural Initiative Program                                     | 940               |
| <b>Total Commission Designated Net Position</b>              | <b>\$ 160,951</b> |

## **MISSOURI HOUSING DEVELOPMENT COMMISSION**

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Notes to the Financial Statements (*Continued*)

### **8. Pension Plan**

#### ***General Information about the Pension Plan***

**Plan description.** Benefit eligible employees of the Commission are provided with pensions through MOSERS - a cost-sharing multiple-employer defined benefit pension plan. Chapter 104.320 of the Revised Statutes of Missouri grants the authority to establish a defined benefit plan for eligible state and other related Commission employees. MOSERS issues an annual Comprehensive Annual Financial Report (CAFR), a publicly available financial report that can be obtained at [www.mosers.org](http://www.mosers.org).

**Benefits provided.** MOSERS provides retirement, disability, and life insurance benefits to eligible employees. The base retirement benefits are calculated by multiplying the employee's final average pay by a specific factor multiplied by the years of credited service. The factor is based on the specific plan in which the employee participates, which is based on the employee's hire date. Information on the three plans administered by MOSERS (MSEP, MSEP 2000, and MSEP 2011 retirement plans) and how eligibility and the benefit amount is determined for each plan may be found in the Notes to the Financial Statements of MOSERS' CAFR starting on page 30.

**Contributions.** Per Chapter 104.436 of the Revised Statutes of Missouri, contribution requirements of the active employees and the participating employers are established and may be amended by the MOSERS Board. Employees in the MSEP 2011 Plan are required to contribute 4.0 percent of their annual pay. The Commission's required contribution rate for the year ended June 30, 2015, was 16.97 percent of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The contribution rate for the MOSERS plan year ended June 30, 2014 was 16.98 percent, which is the year of measurement for the net pension liability. Contributions to the pension plan from the Commission were \$993,000 for the year ended June 30, 2014.

#### ***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2015, the Commission reported a liability of \$7,178,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

## **MISSOURI HOUSING DEVELOPMENT COMMISSION**

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### **Notes to the Financial Statements (*Continued*)**

The Commission's proportion of the net pension liability was based on the Commission's actual share of contributions to the pension plan relative to the actual contributions of all participating employers for MOSERS plan year ended June 30, 2014. At June 30, 2014, the Commission's proportion was .3044%, which remained unchanged from the percentage used to allocate the liability as of June 30, 2013, since this was the initial implementation year.

There were no changes in benefit terms during the MOSERS plan year ended June 30, 2014 that affected the measurement of total pension liability.

For the year ended June 30, 2015, the Commission recognized pension expense of \$675,000. At June 30, 2015, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience  | \$ 28                                | \$ —                                |
| Changes of assumptions  | —                                    | —                                   |
| Net difference between projected and actual earnings on pension plan investments                                | —                                    | 2,093                               |
| Changes in proportion and differences between Commission contributions and proportionate share of contributions | —                                    | —                                   |
| Commission contributions subsequent to the measurement date of June 30, 2014                                    | 994                                  | —                                   |
| <hr/> <b>Total</b>  | <hr/> <b>\$ 1,022</b>                | <hr/> <b>\$ 2,093</b>               |

## **MISSOURI HOUSING DEVELOPMENT COMMISSION**

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### **Notes to the Financial Statements (*Continued*)**

\$994,000 was reported as deferred outflows of resources related to pensions which result from Commission contributions subsequent to the measurement date. These contributions will be recognized as a reduction of the net pension liability for the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the Commission's fiscal year following MOSERS' fiscal year as follows (in thousands):

| <b><u>Plan Year Ending June 30:</u></b> | <b><u>Amount</u></b>   |
|---|------------------------|
| 2016                                    | \$ 513                 |
| 2017                                    | 514                    |
| 2018                                    | 515                    |
| 2019                                    | 523                    |
| <hr/>                                   |                        |
|   | <b><u>\$ 2,065</u></b> |

### ***Actuarial Assumptions***

The total pension liability in the June 30, 2014 actuarial valuation, which is also the date of measurement for financial reporting purposes, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                             |  |
|-----------------------------|--|
| Inflation                   | 2.5 percent, approximate   |
| Salary increases            | 3.0 to 5.9 percent annually, average, including inflation  |
| Investment return of return | 8.0 percent per year, compounded annually, net after investment expenses and including inflation |

Mortality rates were based on the RP-2000 combined healthy mortality table projected to 2016 with Scale AA. The pre-retirement mortality rates used were 100% of the post-retirement mortality rates for males and 80% of the post-retirement mortality for females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2011. As a result of the 2011 actuarial experience study, the MOSERS Board made various demographic assumption changes to more closely reflect actual experience. The most significant change was lowering the assumed annual investment rate of return from 8.5 percent to 8 percent.

## MISSOURI HOUSING DEVELOPMENT COMMISSION

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### Notes to the Financial Statements (*Continued*)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates rates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in MOSERS target asset allocation as of June 30, 2014 are summarized in the following table:

| Asset Class       | Policy Allocation | Long-term Expected Real Rate of Return * | Weighted Average Long-Term Expected Real Rate of Return |
|-------------------|-------------------|--|---|
| Beta Balanced     | 76.6%             | 5.7                                      | 4.4%  |
| Illiuids **       | 19.2%             | 7.3                                      | 1.4%  |
| Old Portfolio *** | 4.2%              | 6.0                                      | 0.2%  |
|                   | <hr/> 100.0%      |  | <hr/> 6.0%  |

\* Represent best estimates of geometric rates of return for each major asset class included.

\*\* Illiquid portfolio upper limit of 27.5% of capital, no new commitments past 23%.

\*\*\* As of June 30, 2014, MOSERS was in the final stages of transitioning from a portfolio allocation consisting of 45% public equities, 30% public debt, and 25% alternative investments (old portfolio) to a new target allocation of 80% beta-balanced and 20% illiquids.

### ***Discount Rate***

The discount rate used to measure the total pension liability was 8.0 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

## **MISSOURI HOUSING DEVELOPMENT COMMISSION**

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### Notes to the Financial Statements (*Continued*)

#### ***Sensitivity of the Commission's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

The following presents the Commission's proportionate share of the net pension liability calculated using the discount rate of 8.0 percent, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.0 percent) or 1-percentage-point higher (9.0 percent) than the current rate:

|   | <b>Current</b>     |                      |                    |
|---|--------------------|----------------------|--------------------|
|   | <b>1% Decrease</b> | <b>Discount Rate</b> | <b>1% Increase</b> |
|   | <b>(7.0%)</b>      | <b>(8.0%)</b>        | <b>(9.0%)</b>      |
| Commission's proportionate share<br>of net pension liability (in thousands) | \$ 11,133          | \$ 7,178             | \$ 3,841           |

#### ***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's fiduciary net position is available in the separately issued MOSERS financial report.

#### **Payables to the Pension Plan**

As of June 30, 2015, the Commission had payables of \$42,000 to MOSERS included as a component of accrued liabilities due to contribution obligations related to compensation incurred prior to the fiscal year end.

## **MISSOURI HOUSING DEVELOPMENT COMMISSION**

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### Notes to the Financial Statements (*Continued*)

#### **9. Other Postemployment Benefits**

In addition to the retirement benefits described in Note 8, the state of Missouri provides postemployment health care and life insurance benefits, in accordance with state statutes, to eligible Commission employees who retire and elect to participate. These health care benefits are administered by the Missouri Consolidated Health Care Plan (MCHCP). This plan is a single-employer defined benefit plan in which the Commission participates under a special cost-sharing multiple employer arrangement. MCHCP issues a publicly available financial report that includes financial statements and required supplementary information for MCHCP. That report may be obtained by writing to the Missouri Consolidated Health Care Plan, 832 Weathered Rock Court, P.O. Box 104355, Jefferson City, Missouri 65110-4355, or on their website at [www.mchcp.org](http://www.mchcp.org). There are currently seventeen Commission retirees enrolled for health care benefits. The life insurance benefits are administered by the Missouri State Employees' Retirement System (MOSERS). The eligible number of retirees for MOSERS for life insurance benefits is 65. Health care benefits are funded through both employer and retiree contributions. MOSERS' life insurance benefits are funded through employer contributions. Insurance policies are purchased for life insurance benefits and are the liability of the insurance carrier. For each year of retirees' service, the State will pay 2.5% of the monthly health care premium, up to a maximum of 65%, subject to State appropriation. The retiree pays the balance of the premiums. To fund the State's portion, during fiscal year 2015, the State assessed a charge that ranged from 3.04% to 4.39% of total employee salary to the Commission. The charge assessed is independent of how many retirees the Commission may have receiving benefits. Expenses for postretirement health care benefits charged to the Commission by the State are recognized when incurred. During fiscal years 2015, 2014 and 2013 expenses of approximately \$204,000, \$195,000, and \$219,000 were recognized for postretirement health care benefits, respectively, which represent 100% of the required amount.

#### **10. Commitments, Contingencies and Concentrations**

##### **Leases**

The Commission rents office space in Kansas City, Missouri, in accordance with a 10-year lease. In addition, the Commission leases office space in St. Louis, Missouri in accordance with a 10-year lease. These leases are accounted for as operating leases.

## **MISSOURI HOUSING DEVELOPMENT COMMISSION**

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### Notes to the Financial Statements (*Continued*)

Lease expenditures for the year ended June 30, 2015 was \$835,000. Future minimum lease payments for these leases are as follows (in thousands):

| <b>Year</b>      | <b>Amount</b>     |
|------------------|-------------------|
| 2016             | \$ 620            |
| 2017             | 336               |
| 2018             | 310               |
| 2019             | 310               |
| 2020             | 310               |
| <u>2021-2025</u> | <u>1,420</u>      |
|                  | <hr/><br>\$ 3,306 |

### **Federal Programs**

The Commission participates in various federal grant programs, primarily with HUD. In addition to an annual financial audit, the Commission is also subject to program audits, as deemed necessary by its federal grantor agencies that may result in disallowed costs to the Commission. The Commission's management does not believe such audits would result in any disallowed costs that would be material to the Commission's financial position at June 30, 2015.

### **Litigation**

From time to time, the Commission may be a defendant in legal actions related to its programs and operations. While the final outcomes of these legal actions vary, management is of the opinion that the ultimate liability, if any, will not have a material effect on the Commission's financial position.

### **Other**

The Commission is the administrator of the Project-Based Section 8 program in the State. This contract, which terminates June 30, 2016, resulted in \$139,608,000 in housing assistance payment revenue and expense activity for the fiscal year ended June 30, 2015. HUD may extend the current contract and is expected to competitively bid this program administration at a future time for which the Commission plans to submit an application.

The Commission is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Commission carries commercial insurance. In addition, the Commission carries commercial insurance for workers' compensation. The Commission retains risk of loss; however, there have been no settlements which exceeded insurance coverage in the last three years.

## **MISSOURI HOUSING DEVELOPMENT COMMISSION**

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### Notes to the Financial Statements (*Continued*)

The Commission has committed to mortgage loans funded by the operating fund net position of \$43,432,000 that have not been disbursed as of June 30, 2015.

## **11. Subsequent Events**

In April 2015 the Commission authorized Taxable Multifamily Housing Refunding Revenue Bonds 2015 Series 2 to provide funds to refund Multifamily Housing Revenue Bonds Series 2005 Series 3 and 4. In accordance with this authorization, bonds totaling \$13,654,000 were sold and delivered in July 2015. The outstanding 2005 Series 3 and 4 bonds were fully redeemed August 1, 2015.

In May 2015 the Commission authorized Single Family Mortgage Revenue Bonds 2015 Series B to provide funding for the Commission's First Place Homeownership Program and to provide funds to refund the Single Family Mortgage Revenue Bonds 2006 Series A, B and C. In accordance with this authorization, bonds totaling \$73,090,000 were sold and delivered in August 2015. The outstanding 2006 Series A, B and C bonds were fully redeemed September 1, 2015.

## **12. Future Accounting Pronouncements**

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. The objective of this statement is to enhance comparability of governmental financial statements by requiring fair value measurements on a government's financial position. This statement will be effective for the Commission's fiscal year ending June 30, 2016. The Commission anticipates adoption of this statement will have no impact to its financial position, although the Commission expects it will result in enhanced financial statement disclosures related to fair value reporting.

In June 2015, the GASB issued Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which will require governments providing defined benefit other postemployment benefits (OPEB) plans to recognize their long-term obligation for benefits as a liability for the first time, and will expand required disclosures. This statement will be effective for the Commission's fiscal year ending June 30, 2018. The Commission has not yet determined the effect that the adoption of this Statement will have on its financial statements.

## **MISSOURI HOUSING DEVELOPMENT COMMISSION**

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### Notes to the Financial Statements (*Continued*)

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify the hierarchy of generally accepted accounting principles (GAAP). This statement will be effective for the Commission's fiscal year ending June 30, 2016.

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**Required Supplementary Information**

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# MISSOURI HOUSING DEVELOPMENT COMMISSION

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## SCHEDULES OF SELECTED PENSION INFORMATION MISSOURI STATE EMPLOYEES' RETIREMENT SYSTEM June 30, 2015 (In Thousands)

### Schedule of Commission's Proportionate Share of the Net Pension Liability

|  |          |
|--|----------|
| Commission's proportion of the net pension liability   | 0.3044%  |
| Commission's proportionate share of the net pension liability  | \$ 7,178 |
| Commission's covered-employee payroll  | \$ 5,481 |
| Commission's proportionate share of net pension liability<br>as a percentage of its covered-employee payroll | 130.96%  |
| Plan fiduciary net position as a percentage of the total pension<br>liability                                | 79.49%   |

### Schedule of Commission's Contributions

|   |          |
|---|----------|
| Required contribution                                     | \$ 993   |
| Contributions in relation to the required contribution    | \$ 993   |
| Contribution deficiency                                   | —        |
| Commission's covered-employee payroll                     | \$ 5,481 |
| Contributions as a percentage of covered-employee payroll | 18.13%   |

#### Notes:

Above schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

Information provided is based on a measurement date and actuarial valuation as of the end of the preceding fiscal year.

### Changes of Benefit Terms or Assumptions

There were no changes to benefit terms in the plan or changes to assumptions in valuation reports for the year ended June 30, 2014.

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**Supplementary Information**

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# MISSOURI HOUSING DEVELOPMENT COMMISSION

## COMBINING STATEMENT OF NET POSITION

**June 30, 2015**  
**(In Thousands)**

|  | Operating      | <b>Bond-Financed Programs</b> |                | <b>Total</b>     |  |  |
|--|----------------|-------------------------------|----------------|------------------|--|--|
|  |                | Multifamily                   | Single Family  |                  |  |  |
| <b>Assets</b>  |                |                               |                |                  |  |  |
| <b>Current Assets</b>  |                |                               |                |                  |  |  |
| Cash and cash equivalents  | \$ 10,360      | \$ —                          | \$ —           | \$ 10,360        |  |  |
| Investments  | 9,483          | —                             | —              | 9,483            |  |  |
| Mortgage investments   | 6,837          | —                             | —              | 6,837            |  |  |
| Accrued interest receivable  | 2,485          | —                             | —              | 2,485            |  |  |
| Accounts receivable - other  | 763            | —                             | —              | 763              |  |  |
| Prepaid expenses   | 76             | —                             | —              | 76               |  |  |
| <b>Total Current Assets</b>  | <b>30,004</b>  | <b>—</b>                      | <b>—</b>       | <b>30,004</b>    |  |  |
| <b>Noncurrent Assets</b>   |                |                               |                |                  |  |  |
| Restricted assets  |                |                               |                |                  |  |  |
| Cash and cash equivalents  | 10,477         | 12,988                        | 88,830         | 112,295          |  |  |
| Investments  | 164,379        | 7,981                         | 2,680          | 175,040          |  |  |
| Mortgage investments   | 233,723        | 218,012                       | 720,757        | 1,172,492        |  |  |
| Accrued interest receivable  | 501            | 754                           | 2,609          | 3,864            |  |  |
| Accounts receivable - other  | 50             | —                             | —              | 50               |  |  |
| <b>Total Restricted Assets</b>   | <b>409,130</b> | <b>239,735</b>                | <b>814,876</b> | <b>1,463,741</b> |  |  |
| Investments  |                |                               |                |                  |  |  |
| Accounts receivable - other  | 183,981        | —                             | —              | 183,981          |  |  |
| Mortgage investments, net of current portion<br>and allowances for loan losses of \$42,965 | 66             | —                             | —              | 66               |  |  |
| Capital assets, less accumulated depreciation<br>of \$4,156                                | 76,330         | —                             | —              | 76,330           |  |  |
| <b>Total Noncurrent Assets</b>   | <b>670,181</b> | <b>239,735</b>                | <b>814,876</b> | <b>1,724,792</b> |  |  |
| <b>Total Assets</b>  | <b>700,185</b> | <b>239,735</b>                | <b>814,876</b> | <b>1,754,796</b> |  |  |
| <b>Deferred Outflows of Resources</b>  |                |                               |                |                  |  |  |
| Refunding of Debt  | —              | 10                            | —              | 10               |  |  |
| Pension  | 1,022          | —                             | —              | 1,022            |  |  |
| <b>Total Deferred Outflows of Resources</b>  | <b>1,022</b>   | <b>10</b>                     | <b>—</b>       | <b>1,032</b>     |  |  |

# MISSOURI HOUSING DEVELOPMENT COMMISSION

## COMBINING STATEMENT OF NET POSITION June 30, 2015 (In Thousands)

|   | <u>Bond-Financed Programs</u> |                    |                      |                   |
|---|-------------------------------|--------------------|----------------------|-------------------|
|   | <u>Operating</u>              | <u>Multifamily</u> | <u>Single Family</u> | <u>Total</u>      |
| <b>Liabilities</b>  |                               |                    |                      |                   |
| <b>Current Liabilities</b>  |                               |                    |                      |                   |
| FHLB advance payable  | \$ 19,729                     | \$ —               | \$ —                 | \$ 19,729         |
| Accrued interest payable  | 134                           | —                  | —                    | 134               |
| Accounts payable  | 1,709                         | —                  | —                    | 1,709             |
| Unearned revenue  | 1,286                         | —                  | —                    | 1,286             |
| <b>Total Current Liabilities</b>                                  | <b>22,858</b>                 | <b>—</b>           | <b>—</b>             | <b>22,858</b>     |
| <b>Current Liabilities - Payable from Restricted Assets</b>       |                               |                    |                      |                   |
| Bonds and notes payable   | —                             | 5,479              | 20,252               | 25,731            |
| Accrued interest payable  | —                             | 2,441              | 4,354                | 6,795             |
| Escrow deposits   | 106,489                       | —                  | —                    | 106,489           |
| Rent subsidies and other payables                                 | 324                           | —                  | —                    | 324               |
| Accounts payable  | 154                           | —                  | 81                   | 235               |
| <b>Total Current Liabilities - Payable from Restricted Assets</b> | <b>106,967</b>                | <b>7,920</b>       | <b>24,687</b>        | <b>139,574</b>    |
| <b>Noncurrent Liabilities</b>                                     |                               |                    |                      |                   |
| Bonds and notes payable   | 5,895                         | —                  | —                    | 5,895             |
| Pension   | 7,178                         | —                  | —                    | 7,178             |
| Unearned revenue  | 8,642                         | —                  | —                    | 8,642             |
| Payable from restricted assets                                    |                               |                    |                      |                   |
| Bonds and notes payable   | —                             | 213,875            | 623,921              | 837,796           |
| <b>Total Noncurrent Liabilities</b>                               | <b>21,715</b>                 | <b>213,875</b>     | <b>623,921</b>       | <b>859,511</b>    |
| <b>Total Liabilities</b>  | <b>151,540</b>                | <b>221,795</b>     | <b>648,608</b>       | <b>1,021,943</b>  |
| <b>Deferred Inflows of Resources</b>                              |                               |                    |                      |                   |
| Refunding of Debt   | —                             | —                  | 1,620                | 1,620             |
| Pension   | 2,093                         | —                  | —                    | 2,093             |
| <b>Total Deferred Inflows of Resources</b>                        | <b>2,093</b>                  | <b>—</b>           | <b>1,620</b>         | <b>3,713</b>      |
| <b>Net Position</b>   |                               |                    |                      |                   |
| Net investment in capital assets                                  | 674                           | —                  | —                    | 674               |
| Restricted  | 302,163                       | 17,950             | 164,648              | 484,761           |
| Unrestricted, including designated balances                       | 244,737                       | —                  | —                    | 244,737           |
| <b>Total Net Position</b>   | <b>\$ 547,574</b>             | <b>\$ 17,950</b>   | <b>\$ 164,648</b>    | <b>\$ 730,172</b> |

# MISSOURI HOUSING DEVELOPMENT COMMISSION

## COMBINING STATEMENT OF NET POSITION MULTIFAMILY BOND - FINANCED PROGRAMS June 30, 2015 (In Thousands)

|   | Multifamily<br>(2000 Indenture) | Multifamily<br>(2014 Indenture) | Multifamily<br>(Conduit Debt) | Other<br><b>Total</b> |
|---|---------------------------------|---------------------------------|-------------------------------|-----------------------|
| <b>Assets</b>   |                                 |                                 |                               |                       |
| <b>Noncurrent Assets</b>  |                                 |                                 |                               |                       |
| Restricted assets   |                                 |                                 |                               |                       |
| Cash and cash equivalents   | \$ 10,660                       | \$ 2,328                        | \$ —                          | \$ 12,988             |
| Investments   | 6,100                           | 1,881                           | —                             | 7,981                 |
| Mortgage investments  | 109,441                         | 35,132                          | 73,439                        | 218,012               |
| Accrued interest receivable                                       | 571                             | 183                             | —                             | 754                   |
| <b>Total Noncurrent Assets</b>                                    | <b>126,772</b>                  | <b>39,524</b>                   | <b>73,439</b>                 | <b>239,735</b>        |
| <b>Total Assets</b>   | <b>126,772</b>                  | <b>39,524</b>                   | <b>73,439</b>                 | <b>239,735</b>        |
| <b>Deferred Outflows of Resources</b>                             |                                 |                                 |                               |                       |
| Refunding of Debt   | —                               | 10                              | —                             | 10                    |
| <b>Total Deferred Outflows of Resources</b>                       | <b>—</b>                        | <b>10</b>                       | <b>—</b>                      | <b>10</b>             |
| <b>Liabilities</b>  |                                 |                                 |                               |                       |
| <b>Current Liabilities - Payable from Restricted Assets</b>       |                                 |                                 |                               |                       |
| Bonds and notes payable   | 3,256                           | 946                             | 1,277                         | 5,479                 |
| Accrued interest payable  | 2,322                           | 119                             | —                             | 2,441                 |
| <b>Total Current Liabilities - Payable from Restricted Assets</b> | <b>5,578</b>                    | <b>1,065</b>                    | <b>1,277</b>                  | <b>7,920</b>          |
| <b>Noncurrent Liabilities</b>                                     |                                 |                                 |                               |                       |
| Bonds and notes payable   | 107,456                         | 34,257                          | 72,162                        | 213,875               |
| <b>Total Noncurrent Liabilities</b>                               | <b>107,456</b>                  | <b>34,257</b>                   | <b>72,162</b>                 | <b>213,875</b>        |
| <b>Total Liabilities</b>  | <b>113,034</b>                  | <b>35,322</b>                   | <b>73,439</b>                 | <b>221,795</b>        |
| <b>Net Position</b>   |                                 |                                 |                               |                       |
| Restricted  | 13,738                          | 4,212                           | —                             | 17,950                |
| <b>Total Net Position</b>   | <b>\$ 13,738</b>                | <b>\$ 4,212</b>                 | <b>\$ —</b>                   | <b>\$ 17,950</b>      |

# MISSOURI HOUSING DEVELOPMENT COMMISSION

## COMBINING STATEMENT OF NET POSITION SINGLE FAMILY BOND - FINANCED PROGRAMS June 30, 2015 (In Thousands)

|   | Special<br>Homeownership<br>(1995 Indenture) | First Place<br>Homeownership<br>(2009 Indenture) | Homeownership<br>(2015 Indenture) | Total             |
|---|--|--|-----------------------------------|-------------------|
| <b>Assets</b>   |  |  |                                   |                   |
| <b>Noncurrent Assets</b>  |  |  |                                   |                   |
| Restricted assets   |  |  |                                   |                   |
| Cash and cash equivalents   | \$ 60,707                                    | \$ 15,210  | \$ 12,913                         | \$ 88,830         |
| Investments   | 2,680  | —  | —                                 | 2,680             |
| Mortgage investments  | 191,499                                      | 467,376  | 61,882                            | 720,757           |
| Accrued interest receivable   | 843  | 1,539  | 227                               | 2,609             |
| <b>Total Noncurrent Assets</b>  | <b>255,729</b>                               | <b>484,125</b>                                   | <b>75,022</b>                     | <b>814,876</b>    |
| <b>Total Assets</b>   | <b>255,729</b>                               | <b>484,125</b>                                   | <b>75,022</b>                     | <b>814,876</b>    |
| <b>Liabilities</b>  |  |  |                                   |                   |
| <b>Current Liabilities - Payable from Restricted Assets</b>               |  |  |                                   |                   |
| Bonds and notes payable   | 3,694  | 14,414   | 2,144                             | 20,252            |
| Accrued interest payable  | 2,391  | 1,757  | 206                               | 4,354             |
| Accounts payable  | 81   | —  | —                                 | 81                |
| <b>Total Current Liabilities - Payable from<br/>    Restricted Assets</b> | <b>6,166</b>                                 | <b>16,171</b>                                    | <b>2,350</b>                      | <b>24,687</b>     |
| <b>Noncurrent Liabilities</b>   |  |  |                                   |                   |
| Payable from restricted assets  |  |  |                                   |                   |
| Bonds and notes payable   | 145,640                                      | 418,478  | 59,803                            | 623,921           |
| <b>Total Noncurrent Liabilities</b>                                       | <b>145,640</b>                               | <b>418,478</b>                                   | <b>59,803</b>                     | <b>623,921</b>    |
| <b>Total Liabilities</b>  | <b>151,806</b>                               | <b>434,649</b>                                   | <b>62,153</b>                     | <b>648,608</b>    |
| <b>Deferred Inflows of Resources</b>                                      |  |  |                                   |                   |
| Refunding of Debt   | —  | 1,620  | —                                 | 1,620             |
| <b>Total Deferred Inflows of Resources</b>                                | <b>—</b>                                     | <b>1,620</b>                                     | <b>—</b>                          | <b>1,620</b>      |
| <b>Net Position</b>   |  |  |                                   |                   |
| Restricted  | 103,923                                      | 47,856   | 12,869                            | 164,648           |
| <b>Total Net Position</b>   | <b>\$ 103,923</b>                            | <b>\$ 47,856</b>                                 | <b>\$ 12,869</b>                  | <b>\$ 164,648</b> |

**MISSOURI HOUSING DEVELOPMENT COMMISSION**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**For the Year Ended June 30, 2015**  
**(In Thousands)**

|  | <b>Bond-Financed Programs</b> |                    |                      |                   | <b>Total</b> |
|--|-------------------------------|--------------------|----------------------|-------------------|--------------|
|  | <b>Operating</b>              | <b>Multifamily</b> | <b>Single Family</b> |                   |              |
| <b>Operating Revenues</b>                            |                               |                    |                      |                   |              |
| Interest and investment income                       |                               |                    |                      |                   |              |
| Income - mortgage investments                        | \$ 6,552                      | \$ 8,375           | \$ 30,868            | \$ 45,795         |              |
| Income - investments                                 | 5,407                         | 300                | 329                  | 6,036             |              |
| Net increase (decrease) in fair value of investments | 307                           | 138                | (856)                | (411)             |              |
| Total interest and investment income                 | 12,266                        | 8,813              | 30,341               | 51,420            |              |
| Administration fees                                  | 5,633                         | —                  | —                    | 5,633             |              |
| Other income   | 6,611                         | (28)               | 1,671                | 8,254             |              |
| Federal program income                               | 151,932                       | —                  | —                    | 151,932           |              |
| <b>Total Operating Revenues</b>                      | <b>176,442</b>                | <b>8,785</b>       | <b>32,012</b>        | <b>217,239</b>    |              |
| <b>Operating Expenses</b>                            |                               |                    |                      |                   |              |
| Interest expense on bonds                            | 138                           | 6,491              | 22,456               | 29,085            |              |
| Bond debt expense                                    | 73                            | 268                | 1,829                | 2,170             |              |
| Compensation   | 8,395                         | —                  | —                    | 8,395             |              |
| General and administrative expenses                  | 4,574                         | —                  | —                    | 4,574             |              |
| Rent and other subsidy payments                      | 2,447                         | —                  | —                    | 2,447             |              |
| Housing Trust Fund grants                            | 3,873                         | —                  | —                    | 3,873             |              |
| Federal program expenses                             | 146,817                       | —                  | —                    | 146,817           |              |
| <b>Total Operating Expenses</b>                      | <b>166,317</b>                | <b>6,759</b>       | <b>24,285</b>        | <b>197,361</b>    |              |
| Change in Net Position                               | 10,125                        | 2,026              | 7,727                | 19,878            |              |
| <b>Net Position - Beginning of Year, as Restated</b> | <b>529,048</b>                | <b>19,170</b>      | <b>162,076</b>       | <b>710,294</b>    |              |
| <b>Interfund Transfers</b>                           | <b>8,401</b>                  | <b>(3,246)</b>     | <b>(5,155)</b>       | <b>—</b>          |              |
| <b>Net Position - End of Year</b>                    | <b>\$ 547,574</b>             | <b>\$ 17,950</b>   | <b>\$ 164,648</b>    | <b>\$ 730,172</b> |              |

**MISSOURI HOUSING DEVELOPMENT COMMISSION**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**MULTIFAMILY BOND - FINANCED PROGRAMS**  
**For The Year Ended June 30, 2015**  
**(In Thousands)**

|  | Multifamily<br>(2000 Indenture) | Multifamily<br>(2014 Indenture) | Multifamily<br>(Conduit Debt) | Other            | Total |
|--|---------------------------------|---------------------------------|-------------------------------|------------------|-------|
| <b>Operating Revenues</b>                            |                                 |                                 |                               |                  |       |
| Interest and investment income                       |                                 |                                 |                               |                  |       |
| Income - mortgage investments                        | \$ 6,904                        | \$ 1,471                        | \$ —                          | \$ 8,375         |       |
| Income - investments                                 | 242                             | 58                              | —                             | 300              |       |
| Net increase (decrease) in fair value of investments | (7)                             | 145                             | —                             | 138              |       |
| Total interest and investment income                 | 7,139                           | 1,674                           | —                             | 8,813            |       |
| Other income   | (28)                            | —                               | —                             | (28)             |       |
| <b>Total Operating Revenues</b>                      | <b>7,111</b>                    | <b>1,674</b>                    | <b>—</b>                      | <b>8,785</b>     |       |
| <b>Operating Expenses</b>                            |                                 |                                 |                               |                  |       |
| Interest expense on bonds                            | 5,388                           | 1,103                           | —                             | 6,491            |       |
| Bond debt expense                                    | 85                              | 183                             | —                             | 268              |       |
| <b>Total Operating Expenses</b>                      | <b>5,473</b>                    | <b>1,286</b>                    | <b>—</b>                      | <b>6,759</b>     |       |
| <b>Change in Net Position</b>                        | <b>1,638</b>                    | <b>388</b>                      | <b>—</b>                      | <b>2,026</b>     |       |
| <b>Net Position - Beginning of Year</b>              | <b>15,732</b>                   | <b>3,438</b>                    | <b>—</b>                      | <b>19,170</b>    |       |
| <b>Interfund Transfers</b>                           | <b>(3,633)</b>                  | <b>387</b>                      | <b>—</b>                      | <b>(3,246)</b>   |       |
| <b>Net Position - End of Year</b>                    | <b>\$ 13,737</b>                | <b>\$ 4,213</b>                 | <b>\$ —</b>                   | <b>\$ 17,950</b> |       |

**MISSOURI HOUSING DEVELOPMENT COMMISSION**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**SINGLE FAMILY BOND - FINANCED PROGRAMS**  
**For The Year Ended June 30, 2015**  
**(In Thousands)**

|  | Special<br>Homeownership<br>(1995 Indenture) | First Place<br>Homeownership<br>(2009 Indenture) | First Place<br>Homeownership<br>(2015 Indenture) | Total             |
|--|--|--|--|-------------------|
| <b>Operating Revenues</b>                            |  |  |  |                   |
| Interest and investment income                       |  |  |  |                   |
| Income - mortgage investments                        | \$ 12,523                                    | \$ 18,015  | \$ 330   | \$ 30,868         |
| Income - investments                                 | 326  | 3  | —  | 329               |
| Net increase (decrease) in fair value of investments | (9,703)                                      | 4,608  | 4,239  | (856)             |
| Total interest and investment income                 | 3,146  | 22,626   | 4,569  | 30,341            |
| Other income   | 1,226  | 445  | —  | 1,671             |
| <b>Total Operating Revenues</b>                      | <b>4,372</b>                                 | <b>23,071</b>                                    | <b>4,569</b>                                     | <b>32,012</b>     |
| <b>Operating Expenses</b>                            |  |  |  |                   |
| Interest expense on bonds                            | 9,885  | 12,378   | 193  | 22,456            |
| Bond debt expense                                    | 143  | 1,062  | 624  | 1,829             |
| <b>Total Operating Expenses</b>                      | <b>10,028</b>                                | <b>13,440</b>                                    | <b>817</b>                                       | <b>24,285</b>     |
| <b>Change in Net Position</b>                        | <b>(5,656)</b>                               | <b>9,631</b>                                     | <b>3,752</b>                                     | <b>7,727</b>      |
| <b>Net Position - Beginning of Year</b>              | <b>125,372</b>                               | <b>36,704</b>                                    | <b>—</b>   | <b>162,076</b>    |
| <b>Interfund Transfers</b>                           | <b>(15,793)</b>                              | <b>1,521</b>                                     | <b>9,117</b>                                     | <b>(5,155)</b>    |
| <b>Net Position - End of Year</b>                    | <b>\$ 103,923</b>                            | <b>\$ 47,856</b>                                 | <b>\$ 12,869</b>                                 | <b>\$ 164,648</b> |